OFFICE OF THE
AUDITOR GENERAL
MANITOBA

September 2009

Study of Board Governance in Crown Organizations

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Executive Management:

Carol Bellringer
Norman Ricard

Principal:

Maria Capozzi

Acknowledgments:

Probe Research, Inc.

Desktop Publisher

Sandra Humbert

Cover Design

Cocoon Branding Inc.

Copies of this report may be obtained by contacting:

Office of the Auditor General

500 – 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

Phone: (204) 945-3790
Fax: (204) 945-2169
Email: oag.contact@oag.mb.ca

and is available on our website:

www.oag.mb.ca

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

September 2009

The Honourable George Hickes
Speaker of the House
Room 244, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Sir:

I have the honour to transmit herewith my report titled, *Study of Board Governance in Crown Organizations*, to be laid before Members of the Legislative Assembly in accordance with the provisions of Section 28 of The Auditor General Act.

Respectfully submitted,

Original document signed by:
Carol Bellringer

Carol Bellringer, FCA, MBA
Auditor General

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

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1.0 Introduction

Crown organizations in Manitoba are a major contributor to the province's prosperity and economic health, as well as to the strong social network and fabric of our community. The 50 Crown organizations included in this study, who together represent more than $10 billion in provincial revenues, provide a variety of public services including basic utilities, education, healthcare, cultural and recreational activities, and supporting families in crisis. Although these organizations vary greatly in size and complexity, all are governed by a Board of Directors and are accountable to the Legislature through a Minister of the Government. This governance study examined the practices of these 50 Crown organizations, from the perspectives of the Board members and senior management serving on these Boards of Directors in the summer of 2008.

Boards of Directors play a critical role in protecting an organization and its stakeholders, regardless of the sector. One need look no further than the impacts of the current global economic situation to understand the importance of sound governance practices and effective Board oversight in sustaining an organization and preventing organizational difficulties. Given the highly-publicized collapses of large private sector organizations and the numerous corporate governance scandals in the early part of this decade, there has been a tremendous increase in governance research and literature, as well as the publication of numerous best practices guidelines to assist Boards of Directors in strengthening their effectiveness, accountability, and oversight processes.

Most of the governance literature is focused on Boards of Directors of private sector corporations and not-for-profit organizations. Much less has been written specifically for public sector organizations and the unique role and relationship their Boards of Directors are required to maintain with government and the public. Further, governance literature is most often directed to the two key governance players, the Board and its senior management. But in the public sector, there is a third important contributor to governance effectiveness and that is the members of the Legislature elected to protect the public interest. A complete discussion of public sector governance needs to also include a discussion of the role of government; more specifically, the role of the Minister responsible for a Crown organization and the relevant Department, the role of central agencies, and the role of all elected members and legislative committees, such as the Crown Corporations Committee and the Public Accounts Committee, designed to hold government accountable for effective performance within the entire public sector.

Effective Board governance is a key component of ensuring that Crown organizations are well run, operate within their legislative mandate, avoid inappropriate risks, and provide services to the citizens of Manitoba in an efficient and effective manner. Effective governance practices relate to how a governing body (most often, a Board of Directors) leads and oversees an organization. Regardless of whether the governing body is responsible for a private sector corporation, a public sector entity, or a not-for-profit voluntary organization, what each has in common is that a group of people have been elected

> *"Broadly speaking, corporate governance generally refers to the processes by which organizations are directed, controlled and held to account, and is underpinned by the principles of openness, integrity, and accountability. Governance is concerned with structures and processes for decision making, accountability, control and behavior at the top of organizations."*
>
> International Federation of Accountants (IFAC)

or appointed to work together to provide strategic direction and oversight control to an organization on behalf of others. While there are numerous definitions of governance and a wide variety of governance models and approaches, a Board of Directors must fulfil its stewardship, leadership, responsibility and accountability requirements in order to be effective. Governance difficulties most often occur because a Board has not adequately focused on or fulfilled either its strategic role (i.e., its stewardship and leadership responsibilities) or its oversight role (i.e., its responsibility and accountability functions).

The Manitoba Office of the Auditor General (OAG) conducted its governance survey to examine the Board governance and oversight processes currently being utilized by these 50 Crown organizations, and to discuss them in light of leading practices in public sector governance. The survey was conducted as a 10 year update of our Office's initial review of Crown organization governance(1), in order to reflect on current issues in public sector governance from the perspectives of all serving Board members and senior management within these Crown organizations. General discussion also took place between the OAG and the Ministers responsible for these Crown organizations to understand their perspectives on public sector governance issues. Note that this study was not an evaluation of these Boards of Directors, nor an audit of the governance practices currently being utilized by any particular Board.

The objectives of the study were:
- *To examine Board governance practices currently being utilized in the public sector;*
- *To encourage review and ongoing improvement of Board practices in Manitoba's public sector and assist Boards of Directors in enhancing their practices.*

This report provides general discussion of common issues for Boards of Directors in providing effective governance in the public sector, with special attention to the relationships these Crown organizations must develop with government and their Ministers. The goal in preparing this report was to stimulate constructive discussion and to assist by providing current information obtained from those directly involved in governance. Certain of the survey results beg the question: "*Why?*" While the report provides some commentary on the survey results from our perspective as legislative auditors, it would be worthwhile for each Board of Directors to seek their own answers in areas where their practices vary from that of other Manitoba Crown organizations or from leading practices.

Given the wide variety of Crown organizations included in our study, the observations and discussion of leading governance practices throughout this report are not intended to be adopted by all public sector organizations without careful consideration of what may have to be modified to fit each organization's current situation. As has been noted in each of our Office's past governance reports, there is no "one-size-fits-all" solution or approach for effective governance in the public sector. A Board of Directors can decide to fulfill its governance role and responsibilities in a variety of ways, so each Board must exercise judgment in developing and carrying out its responsibilities in a manner that fits its own unique context. Further, governance practices are constantly evolving, and a Board and its senior management team must routinely take time to reflect on what might work best for their organization at a given point in time.

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(1) *An Examination of Governance in Crown Organizations* (June 1998) available at www.oag.mb.ca

The high response rate to our survey is indicative of the commitment and caring of public sector Board members to the governance of their organization. We sincerely thank each of the 470 Board members and senior management who responded to our survey for their thoughtful and candid responses. Given the length of our survey instrument, the extra time taken by many respondents to raise additional governance issues or to further clarify their thoughts about particular aspects of public sector governance is especially noteworthy, and evidence of their keen interest in ensuring the effective governance of their Crown organization.

2.0 Survey Results: Leading Practices for Effective Governance

This report provides the overall results of our governance survey of the Boards of Directors of 50 Crown organizations in Manitoba. **Appendix A** provides a complete list of all organizations included in the study. The survey results reflect the perceptions of the 380 Board members and 90 senior management who returned our questionnaire and provided their opinion and assessment of their Board's performance on a wide variety of indicators. This represents an overall response rate of 68%.

The 50 Crown organizations selected for this study are all governed by a Board of Directors that has policy-setting and decision-making capability to provide oversight of their corporate organizations. Each of these Boards of Directors is accountable for their organization to the Legislature through a Minister of the Government. Almost all of these organizations are wholly owned or controlled by government as defined by the Public Sector Accounting Board (PSAB), and are included within the government reporting entity (GRE) as their financial performance impacts the Province's overall performance. Excluded from our survey were the many other Crown organizations within the GRE that are not governed by a Board of Directors, as well as those whose Boards fulfill either an administrative, advisory or tribunal role. **Appendix B** provides a full discussion of the survey methodology utilized in completing this study.

The 50 Crown organizations included in our study vary greatly in size and complexity, from quite small organizations of less than $2 million in revenues, to very large organizations with over $100 million in revenues. The attached chart provides a breakdown by size of the 50 organizations in our study.

Size Breakdown of Organizations

Revenues*	Number of Entities	Percentage
Greater than $100m	17	34%
$50 - $100m	6	12%
$10 - $50m	10	20%
$2 - $10m	12	24%
Less than $2m	5	10%

*Source: Public Accounts Volume 4; fiscal year 2007/08

The survey questionnaire developed for this study solicited the opinions and views of all Board members and selected senior management[2] within these organizations on a wide variety of governance issues related to serving on a public sector Board of Directors. The statements included on the survey questionnaire reflected a wide variety of attitudes and perspectives towards Board governance, to which respondents were asked to express their level of agreement. It should be noted that the survey was not an evaluation of any Board, nor of the quality of the actual governance practices currently being utilized by these Boards. The Manitoba OAG's Model of Governance, which outlines nine key attributes of an effective Board of Directors and incorporates both a structural and behavioural perspective to Board governance, was utilized as the basis for development of our survey questionnaire. A detailed discussion of our Model of Governance is provided in **Appendix C**.

This report presents all survey results in both a descriptive and graphical format. All graphs in the report present the percentage of respondents who agreed or agreed strongly with the statements on the questionnaire. As some of the statements were phrased positively and some negatively, it cannot be assumed that low agreement reflects a poor result; hence, the graphs must be considered in conjunction with the descriptive commentary. Not all questions were applicable to senior management, and these are noted as *"n/a"* on the graphs. Where noteworthy, we provide a comparison to the survey results of our 1998 study of Crown organization governance. We have also provided in the margins of the report some of the verbatim comments received from survey respondents, both positive and negative. Full data tables which detail all survey results are provided in **Appendix D**.

In the margins of the report, we provide some of the verbatim comments received from survey respondents, both positive and negative. These reflect individual opinion only, and provide some insights into the variety of perspectives shared with us about various topics throughout the report. We sincerely thank all respondents who took the extra time to add commentary.

As a secondary phase to our study, we met with 10 of the 15 Ministers responsible for the 50 Crown organizations included within our study, to explore their roles and accountability expectations with respect to Board-governed public sector entities. Where applicable, the results of these discussions are provided in the written commentary of the report.

For ease of reference, we have organized this report by governance topic areas. Each area represents a specific aspect of governance and we provide a general discussion of each topic, as well as all related survey results. While we provide some observations at the end of each section based on our general experience working with public sector Boards of Directors, we recognize that the results of a survey such as this can be interpreted in a variety of ways. The specific context of any one particular Board may lead them to different interpretations of the data and we encourage all Boards to review and consider the findings of this report in light of their organization's unique structure and mandate. In some sections, we have also included several considerations for Ministers and government officials to reflect upon in order to enhance their dealings and relationships with the public sector Boards of Directors under their purview. Where applicable, comments received from government officials with respect to these considerations have been provided.

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(2) Senior management included in the survey were the Chief Executive Officer, Chief Financial Officer and, where applicable, the Chief Internal Auditor and Corporate Secretary. We use these titles generically to represent those senior management personnel who serve the Board in these capacities.

As the report does not provide detailed guidance with respect to a specific area or approach to governance, a bibliography of key resources and websites is provided in **Appendix E** for further reference.

2.1 Board Appointments

Recruitment, the process of ensuring that a Board is comprised of people with the necessary knowledge, ability and commitment to fulfill their responsibilities, is an important area of Board functioning and a fundamental component to ensuring effective governance. A Board's legitimacy comes, in part, from being comprised of individuals who have the appropriate mix of knowledge and skills, and who also represent the appropriate stakeholders. By being representative of the organization's stakeholders, Board members are perceived to reflect the desires, needs, values and perspectives of that community. This is what forms the link between the governors and those governed. Ultimately, a public sector Board member is acting on behalf of the public to ensure accountability of the organization to all citizens through the Legislature.

2.1.1 Appointment Process

Boards of Directors of public sector organizations are generally appointed by the Government, and the relevant legislation for public sector organizations often includes provisions regarding the appointment process. However, there is a substantial amount of variation in the method for recruiting individuals to serve on each of the 50 organizations included in our survey. Further, certain sectors have developed practices that are specific to their sector. Our discussions with Ministers confirmed a variety of processes are utilized to identify and appoint Board members, with varying levels of input from each of the Boards. In some cases, potential members submit their names for consideration and/or fill out application forms; while for some organizations, members are simply identified through discussions amongst Ministers. For some Boards within our sample, the Government appoints all Board members through an Order-in-Council process that is initiated on the recommendation of the Minister and approved by the Lieutenant Governor in Council (i.e., the Cabinet and the Lieutenant Governor acting in a legal capacity). The Cabinet Committee on Agencies, Boards and Commissions provides support to Cabinet throughout the process. For some Boards within our sample, there is a combination of both government and non-government appointed members. These members may be appointed or recommended by various stakeholder groups.

The quality and timeliness of the appointment process is important to ensure public sector organizations are governed by well qualified individuals, and that delays in appointments do not impair the Board from carrying out its duties effectively. As noted in a recent Auditor General of Canada report on the federal appointment process, *"appointees occupy senior positions in...organizations that, whatever their size, can have a considerable impact on the health, safety, and quality of life of Canadians. It is therefore important that the appointees be qualified, that appointments be timely, and that proposed candidates be considered in an open, transparent, and competency-based*

"Appointments take too long. There have been instances where a quorum of the Board was not achieved."
Survey Respondent

selection process. Deficiencies or delays in the appointment of these officials could have significant consequences for the governance of the organizations and for Canadians".(3)

Governance literature has focused on the use of Nomination Committees that are independent of management to assist Boards in their recruitment and selection processes, as well as to maintain current inventories of Board member skills, in order to establish recruitment criteria. Such Committees are also often delegated responsibility for the Board's succession planning process. Given that the appointment process for public sector Board members is, in many cases, controlled by government, the use of Nomination Committees is somewhat more limited in the public sector; 21% of the Boards in our study indicated they have such a Committee. However, establishing a Nomination Committee is especially important if the Board self-selects some or all of its members.

"Identify skill sets needed, then look for appropriate people."
Survey Respondent

"There is absolute need to establish clear process for working with the Province on Board appointments to ensure competency, balance and succession."
Survey Respondent

Regardless of the appointment process, leading practices suggest that Boards take a proactive approach in recruitment by maintaining current inventories of Board member skills and competencies, in order to identify any existing gaps or requirements for future Board membership. The development of a skills competency matrix and Board profile outlining the specific skills, experience and backgrounds currently represented on the Board, and those required or preferred in future Board members, can provide useful information to the Minister. When Board member vacancies arise, the skills matrix can help inform the Minister of the Board's requirements and be a useful tool to assist in his/her consideration of appropriately qualified candidates in the recruitment process. Recognizing the political nature of public sector appointments, the specific choice of individual to fill the Board position appropriately rests with the Minister and Government. While there is certainly no onus on the Minister to appoint according to a Board's preferred competencies, the provision of such information to the Minister ensures s/he is aware of any gaps or requirements of the Board, and may enhance the likelihood of attaining members with such competencies in a future appointment.

"Please Please PLEASE appoint based on merit and competence...you doom the organization otherwise."
Survey Respondent

Survey Results

- The large majority of Board members (84%) and senior management (86%) endorsed the belief that Board members are expected to reflect the values and principles of the community on the Board.
- Board members appropriately represent the key stakeholders of the organization, according to 68% of Board members and 54% of senior management.
- 30% of Board members and 50% of senior management indicated that it takes too long to fill Board member vacancies when they arise.
- Overall, the current method of appointing new members to the Board was deemed to be satisfactory by just over half the Board members (55%). Substantially less satisfaction with the current method of appointment was reported by senior management (35%); in fact, most senior management (44%) indicated they were not satisfied.
- 22% of Board members and 19% of senior management feel that the government adequately consults with their Board on the required qualifications/skills when appointing

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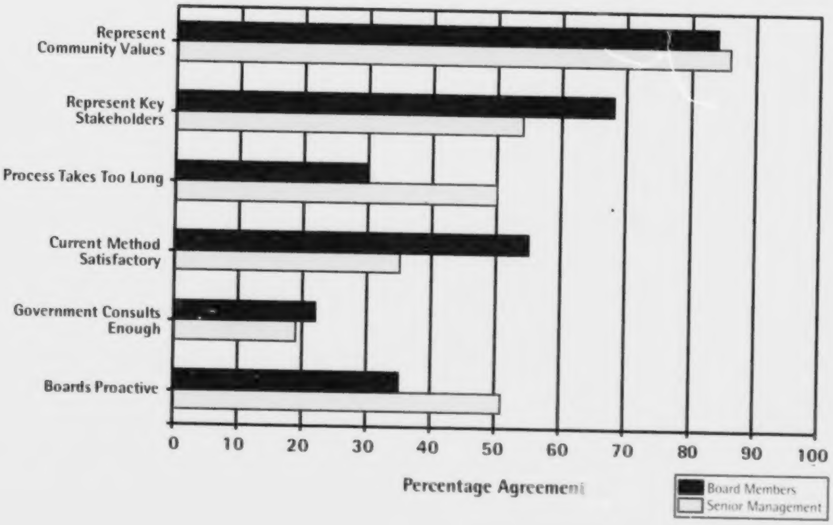
(3) Office of the Auditor General of Canada, Status Report of the Auditor General of Canada to the House of Commons, *Chapter 2: Governor in Council Appointments Process*, 2009. www.oag-bvg.gc.ca

new Board members. Most Board members (41%) and senior management (57%) indicated that adequate consultations do not occur.

- However, when asked how proactive the Board has been in providing the Minister information on their required qualifications/skills when vacancies arise, about a third of Board members (35%) and half of senior management (51%) indicated such information is provided.

Board Member Appointments



The term of service for government appointments varies substantially and some legislation specifies term limits (the maximum amount of years a Board member may serve and be reappointed to the Board), but many do not. Effective governance requires that the terms of service for Board members must be long enough for members to gain experience and cultivate sufficient knowledge to understand the organization, but also that there be sufficient renewal of Board members to bring new perspectives and experience to the organization. Leading practices suggest there be staggered terms for Board members, with set term limits for renewal. Such practices help to balance the Board's need for continuity and experience, with the need to refresh the Board and bring on new skills and expertise to appropriately reflect the challenges faced by the organization.

"Terms are insufficient in length; our wisest are in their last year. It would be of great benefit to add 2-3 years..."

Survey Respondent

Boards which have excessive turnover or replace most Board members every year will find it difficult to provide effective governance. Such types of wholesale membership changes undermine effective governance and the credibility of the Board's leadership role. Just as detrimental to effective governance are Boards that lack turnover or have excessively long-serving Board members. As the challenges faced by an organization change and evolve over time, so too will the Board require fresh perspectives and different competencies to be represented in its membership.

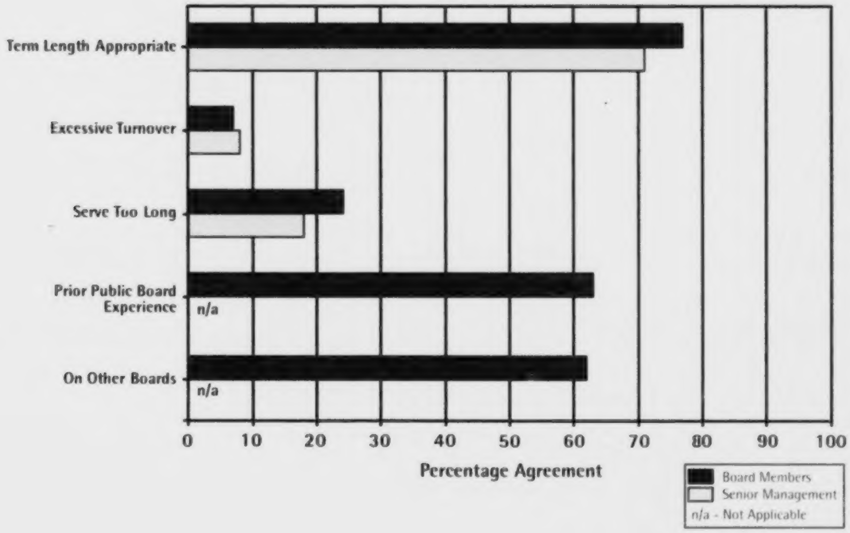
"The time it takes to get updated with Board responsibilities is the duration of our present term. I think this adds to the way the CEO and senior managers can perform without being really accountable to the Board."

Survey Respondent

Survey Results

- The length of service reported on the survey ranged from newly-appointed members to over 20 years of service. The majority of Board members (35%) have served between 3 and 6 years on their Board. About one in five Board members have served a year or less (19%); just as many (18%) have served between 1 to 3 years. A quarter of Board members (25%) have served 6 to 10 years and 2% reported more than 10 years service. On average, Board members in Manitoba have 4.1 years of experience on their Board.
- The length of a Board member's term of service was seen to be appropriate by 77% of Board members and 71% of senior management.
- Few Board members (7%) and senior management (8%) feel the amount of turnover on their Board has been excessive; the majority of Board members (77%) and senior management (79%) do not perceive this to be an issue for their Board.
- Having Board members that have been on the Board for too long appears to be slightly more of an issue than excessive turnover, as 18% of Board members and 24% of senior management reported this to be an issue.
- 63% of Board members had prior public sector Board experience when appointed to their Board.
- 62% of Board members report they are currently serving on other Boards of Directors as well. The number of other Boards range from 1 to 8, with the majority serving on one (29%) or two (20%) other Boards. 13% of Board members reported serving on 4 or more other Boards.
- Few individuals (3%) served on more than one Board within the 50 Crown organizations in our sample. None of these individuals served on more than two of these Boards.

Board Service



Clarity as to whom a Board member represents, and on whose behalf they act, is an important component to ensuring effective governance in a public sector context. The assumption may be made that because public sector Board members are appointed by government, they act primarily on government's behalf when making Board decisions. However, our findings on both the 1998 and 2008 surveys do not support this assumption, and as noted in the findings below, representing the Minister or political party on a Board was ranked of lowest priority to most Board members. While from a theoretical framework, Board members are primarily accountable to the Minister, this does not reflect the reality of Board service in a public sector environment where organizations often have multiple accountabilities (refer to Section 2.11 on Board Accountability for further discussion).

Representing a political party:
"Feels that way by nature of appointment but I don't personally feel that way at all. Feel non-ideological, and non-partisan."
Survey Respondent

Given that accountability is more diffused in the public sector, Board members are appointed for a wide variety of reasons, not solely to represent the Minister or a political party. In many cases, Board members are selected as a representative of a particular stakeholder group that is associated with the organization. Leading practices suggest that Board members that are appointed in this manner should be vigilant in ensuring that representation of their stakeholder group does not conflict with acting in the best interests of the organization overall. Given this complexity, it is important for all public sector Boards to discuss this issue in order to clarify Board members' primary interests and to whom they feel primarily accountable.

"As a Board member, you must take into account all interested parties to make the best decisions for the organization, not just those interests from the group that appointed you."
Survey Respondent

The issue of Board member independence is frequently discussed in the private sector governance literature (especially with respect to the establishment of Audit Committees). Private sector Boards of Directors may be comprised of non-independent members such as the Chief Executive Officer (CEO)[4] and other senior management personnel, as well as family members. Most public sector Boards do not usually include management personnel on the Board, and the CEO is most likely to be an *ex-officio*, non-voting member of the Board, although there are some exceptions within our sample.

The Toronto Stock Exchange defines an unrelated Director as one *"who is independent of management and is free from any interests and any business or other relationship which could, or could reasonably be perceived to materially interfere with the Director's ability to act with a view to the best interests of the corporation..."*

"Board members who are representing an organization struggle to put that aside and act in our best interest. Special interest appointees focus mostly on their special interest."
Survey Respondent

We also noted some situations within our sample of 50 Crown organizations where the Deputy Minster or other government official serves on the Board or a Board Committee, either in a full or *ex-officio* capacity. While it is not uncommon within Canadian jurisdictions for government to appoint public servants or even elected officials to public sector organizations, care must be taken to ensure such circumstances are appropriately clarified and managed so that any potential difficulties are avoided.

As noted in a recent CICA publication, *"Public servants and elected officials, while bringing knowledge of government priorities and processes, may inhibit effective functioning of the board (for example, where the public servant or elected official becomes a 'super director' whom others defer to), and at times, may be in a conflict*

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[4] Throughout our report, we use the title Chief Executive Officer (CEO) to generically represent the most senior executive directly accountable to the Board of Directors, although we recognize that within our sample there are other titles for this position, such as Executive Director, President, General Manager, etc.

of interest positions (where s/he has to provide advice or make decisions relating to the Crown corporation based on government objectives, while, at the same time, participating in board discussions on the same issue where the considerations are only 'the best interests of the corporation')".[5] Any public sector Board that is composed of such members should have a specific and documented discussion of the implications of this situation in order to ensure clarity by all members as to the role of the government official on the Board. A Board policy and protocol should also be developed to effectively manage any issues or perceived conflicts which may arise. As this is not an easy issue for other Board members to raise, the government official should take the onus to be especially clear of their role when they are acting in their capacity as a Board member.

Survey Results

- When asked to whom they feel primarily accountable for the impact of their decisions on the Board, the majority of Board members (76%) indicated they feel most accountable to the community. 32% of Board members indicated they feel most accountable to the organization and its staff/employees. Only 28% of Board members reported feeling most accountable to government. Section 2.11 on Board Accountability discusses this issue further.
- When asked to rank whose interests Board members primarily represent on the Board, the clients/users of the organization's services was ranked first; just slightly above the citizens and taxpayers of Manitoba as a whole which was ranked second. Representing the organization itself was ranked third. Representing a political party and/or the Minister was ranked the lowest.

Whose Interests Represented

Board Members	Weighted %
The clients/users of the organization's services	70
The citizens and taxpayers of Manitoba as a whole	69
The organization itself	60
A geographic region or specific community	34
The employees and staff of the organization	27
A particular special interest or stakeholder group	22
A political party and/or the Minister	16

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(5) Canadian Institute of Chartered Accountants (CICA), *20 Questions Directors Should Ask about Crown Corporation Governance*, 2007. www.cica.ca

2.1.2 Board Composition

A Board of Directors needs members with a variety of qualifications and competencies in order to effectively carry out its duties. The Board relies on the expertise of its members in discussing and debating issues and ultimately in making its decisions. A diverse mix of skills and expertise together on a Board can bring valuable perspectives, options, and insights to the organization and its management. The specific characteristics and skill sets that are required on a Board varies depending on the organization's specific industry and sector. As the challenges faced by public sector organizations change over time, the composition of the Board and the expertise which may assist the Board in dealing with issues should also evolve over time. Our discussions with Ministers regarding the appointment process revealed an emphasis by government to select individuals who are reflective of the geographic and demographic makeup of the province.

"Our Board administers a huge organization and is dramatically under skilled to do it."
Survey Respondent

"Competency requirements should be developed and Board members chosen based on these competencies."
Survey Respondent

There is an abundance of governance literature indicating a need to improve representation by women on private sector Boards of Directors. A recent census of women on Canadian Boards of Directors found that *"women's representation on corporate Boards in Canada remains remarkably low, [and that] women held 13% of Board seats in the Financial Post 500, up only one percentage point since 2005. ...Women's representation as Board Chairs increased by two percentage points, from 1.3% in 2005 to 3.4% in 2007."*(6) However, we noted from our sample of 50 Manitoba Crown organizations that 261 of the total number of Board members were women, which represents 44% of total Board members. Further, we noted that 13 of the 50 Chair positions (26%) were held by women. Our discussions with Ministers confirmed that ensuring balanced gender representation has been emphasized in the appointment process. This is a positive finding, as governance research reveals that having only one woman on a Board amounts to little more than tokenism; there needs to be enough representation (preferably three or more) in order for gender to not be an issue in any way.(7)

Survey Results

- 73% of Board members believe that the current Board members bring the necessary skills and experience to lead their organization effectively. Senior management was much less certain of this, with 50% agreement.
- According to 18% of Board members and 35% of senior management, some Board members are not qualified to be on the Board.
- Having the right skill sets and qualifications at the Board table is important, as 65% of Board members indicated that they often rely on the expertise of fellow Board members in reaching their decisions; 67% of senior management agreed that this occurs.
- Board members accept that other members are relying on their professional skills and qualifications in making their decisions; few (8%) indicated this made them uncomfortable.

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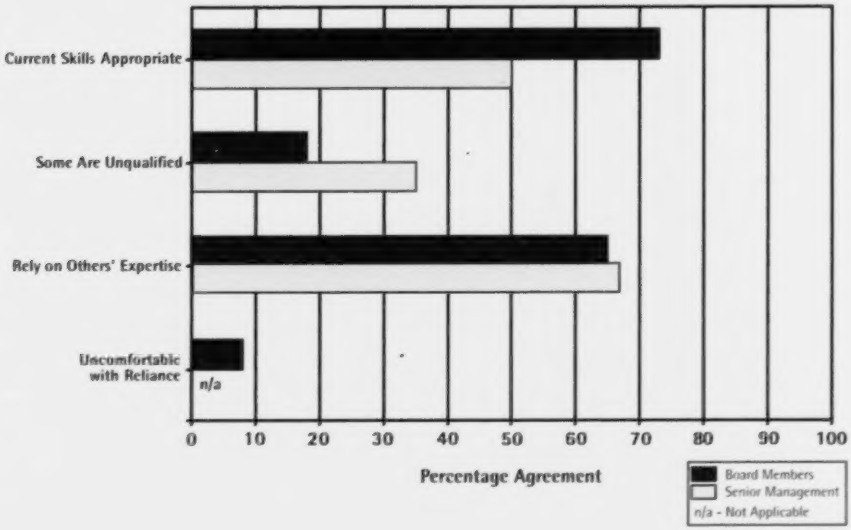
(6) Catalyst, *2007 Catalyst Census of Women Board Directors of the FP500: Voices From the Boardroom.* www.catalyst.org
(7) Kramer, V.W., Konrad, A.M. & Erkut, S., *Critical Mass on Corporate Boards: Why Three or More Women Enhance Governance*, 2006. www.wcwonline.org

- When asked the top three skills Board members and senior management would like to see next appointed to their Board, the most common responses (in descending frequency) were:
  - Financial expertise/ Ability to understand financial statements, budgets;
  - Related industry experience or knowledge (e.g., Health);
  - Management skills/ Business experience and acumen;
  - Legal expertise;
  - Prior Board experience/ Knowledge of governance role; and
  - Responses focused on "soft skills", including items such as being a team player, having integrity and ethics, and having dedication and passion for the cause.

Board Member Skills/Expertise



"I don't always know the qualifications of other Board members. I've never seen their completed application or resume, nor they mine."
Survey Respondent

It should not be assumed that all Board members know the skill sets and expertise brought to the table by their fellow Board members. For this reason, biographical information on fellow Board members, as well as key staff, should be provided to all Board members.

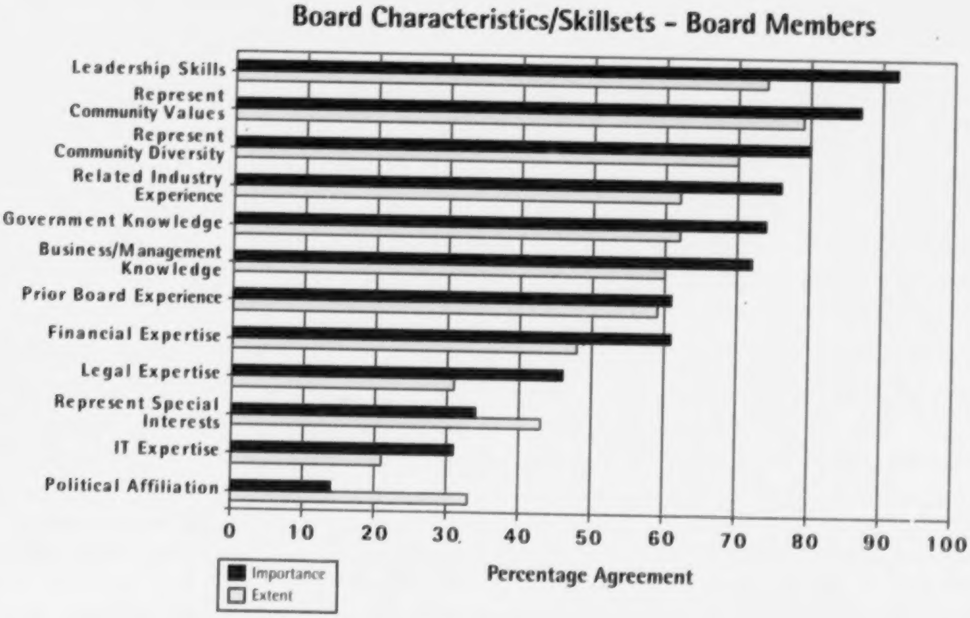
The fit between characteristics that Board members feel their Board should have and what skills it currently does have, was assessed by asking respondents to first indicate how important specific characteristics were to the effectiveness of their public sector Board, and then to indicate their assessment of the extent to which each of these characteristics was currently represented on their Board.

The following two graphs provide a visual perspective of this analysis from both the Board and senior management perspectives. A gap was perceived to exist between the required level of certain characteristics and the current composition of Boards, with the largest gap being in the characteristic of leadership skills according to both Board members and senior management. Board members further noted large gaps in the areas of having legal expertise, and experience in a related industry/sector. For senior management, gaps were noted in the areas of having general business or management expertise, and having financial expertise. Senior management also noted a gap in having prior Board experience and experience in a related sector, however, Board members do not perceive any gap in having prior Board experience. Some characteristics were perceived by both Board members and senior management to exceed what is necessary for their Board, including the extent of political affiliation and representation of a particular special interest or stakeholder group.

"[Board members] *don't have to be a finance professional, just knowledgeable."*
Survey Respondent

Survey Results

- Both Board members (92%) and senior management (93%) perceive leadership skills to be the most important characteristic that a Board member can bring to the table.
- Being representative of community values and ethics (87%), as well as community demographics and diversity (80%), were also perceived as highly important by Board members. However, senior management indicated that having prior Board experience (84%) and general business/management expertise (80%) were of greater importance.
- Other important characteristics for Board members were having experience in a related industry/sector (76%); having knowledge of government and the public sector (74%); and having general business/management expertise (72%). Senior management generally agreed with the importance of these characteristics, but also noted financial expertise (75%) as an important asset.
- Of least importance to both Board members and senior management was political affiliation (14% and 12% respectively). Also low for Board members and senior management was the need for IT expertise (31% and 33% respectively), and having members who represent a particular special interest or stakeholder group (34% and 33% respectively).
- When asked what other skills were important to the functioning of the Board, the most common responses (in descending frequency) were:
  - Diversity of age, gender, experience and culture;
  - Commitment and integrity;
  - Willingness to cooperate and be a team player; and
  - Communications and public relations expertise.


Board Characteristics/Skillsets - Board Members
Leadership Skills
Represent Community Values
Represent Community Diversity
Related Industry Experience
Government Knowledge
Business/Management Knowledge
Prior Board Experience
Financial Expertise
Legal Expertise
Represent Special Interests
IT Expertise
Political Affiliation
0
10
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30
40
50
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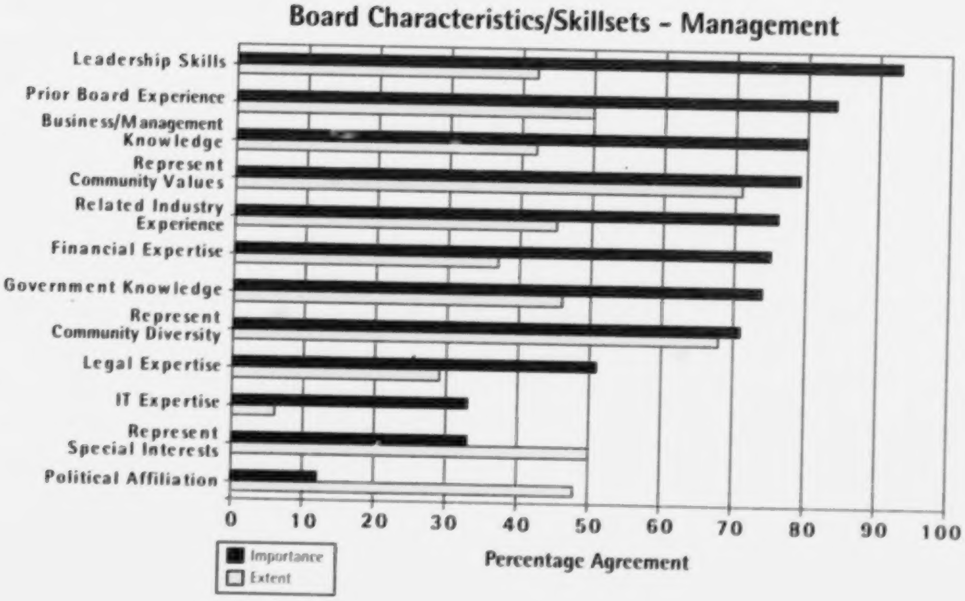
70
80
90
100
Importance
Extent
Percentage Agreement


Board Characteristics/Skillsets - Management
Leadership Skills
Prior Board Experience
Business/Management Knowledge
Represent Community Values
Related Industry Experience
Financial Expertise
Government Knowledge
Represent Community Diversity
Legal Expertise
IT Expertise
Represent Special Interests
Political Affiliation
0
10
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40
50
60
70
80
90
100
Importance
Extent
Percentage Agreement

When asked what improvements overall could be made to the appointment process for public sector Board members, 27% of Board members and 36% of senior management took the time to provide a total of 187 suggestions. The most frequent suggestions (in descending frequency) were:

- Make selections based on skills and competencies first, over geography and political affiliation;
- More consultation with Boards regarding skills needed;
- Vacancies take too long to be filled/ Need for more timely process;
- Need more diversity on Boards/ Balance skills and experience; too many retirees;
- Make terms of service longer due to learning curve.

Our Observations

- *Clearly, there is room for improvement in the appointment process; only half of Board members and even less senior management are currently satisfied. There is an indication that Board members would like to see further consultation with government on the required qualification and skills when appointing new Board members. Improvements may be made by Boards proactively preparing a matrix profile of required qualification and skills, and providing the information to the Minister when vacancies arise.*

  FOR GOVERNMENT'S CONSIDERATION: Ministers and government officials should make an effort to consult more regularly with their Boards when appointing new members. Further, as the effectiveness of any Board is impacted by its membership, Ministers and government officials should ensure that appointments are made on as timely a basis as possible.

- *A Board member's fiduciary duty requires them to act in the best interests of the organization. Those Board members appointed to represent a particular stakeholder group must ensure they are clear on this requirement and act accordingly. In instances where a Deputy Minister or senior government official serves on a public sector Board, clarity amongst all Board members as to their role is required and appropriate policies and protocols should be put in place to ensure that no conflicts of interest are perceived to interfere with effective governance.*

  FOR GOVERNMENT'S CONSIDERATION: In instances where a Deputy Minister or senior government official is appointed to serve on a public sector Board of Directors, there should be clear guidelines as to their role and how to deal with conflict of interest situations that could potentially arise.

RESPONSE FROM GOVERNMENT OFFICIALS

The importance of a strong working relationship between Ministers and their boards is recognized, including consultation with respect to the appointment of new members. This allows both partries to exchange ideas and information with respect

to skill requirements as well as gender balance, diversity and geographic representation on boards.

The government has in the past number of months instituted a monthly notification system that provides Minister's offices with 4 months advance notice of upcoming appointment expiry dates. This has proven to be an effective tool in keeping board appointments current and providing for a full complement of board members.

2.2 Board Member Commitment

Personal commitment by Board members is one of the primary underlying requirements for good governance. Members of any Board need to commit, both individually and as a group, to the organization and to the achievement of its mandate and goals. In traditional governance literature, commitment and fiduciary duty is approached from an individual perspective, with personal reputation assumed to be a key reason that Board members would perform their Board duties well and be concerned about organizational performance. It is also assumed that organizational goals are motivators in and of themselves and that Board members who are aligned with the organization's goals will be motivated to give whatever is necessary to ensure the organization and Board is seen to be doing a good job. However, being a Board member requires a significant time commitment. A Board member must allocate time, not only to attend meetings and participate in the Board discussion and decision making processes, but to read and consider documented information in advance of meetings, as well as give time for advocacy and attendance at organizational functions when required.

"Advise new Board members that they will have to prepare ahead of Board meetings so they can contribute more effectively."
Survey Respondent

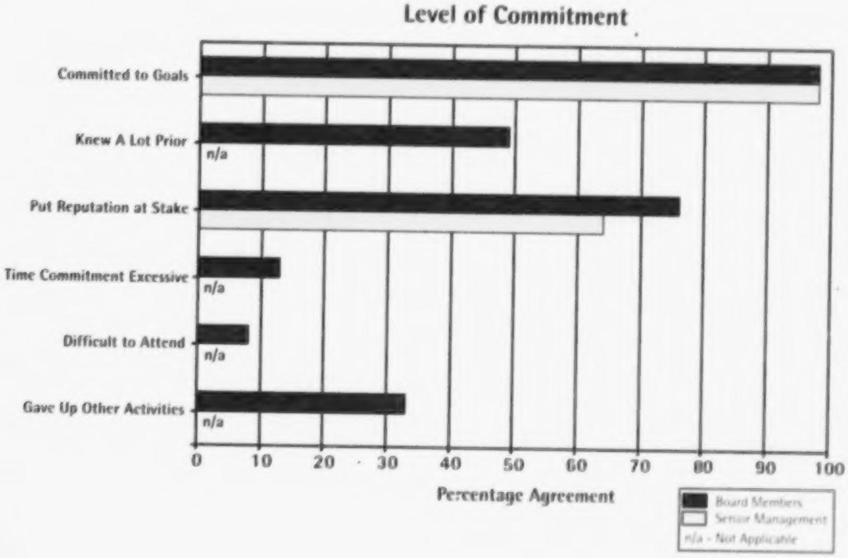
Governance literature often assumes that Board members will give to their Board all the time and energy that is needed for good governance. However, this assumption may not accurately reflect that Board membership is generally a voluntary, part-time commitment which may conflict with an individual's other more salient responsibilities, such as their full-time career, their family responsibilities, as well as their other community activities. For this reason, the expectations of a Board member need to be realistic and the Board job must be perceived to be manageable and sustainable. While the organization must ensure it sufficiently involves and utilizes its Board members, it must also ensure it does not overwhelm Board members with unrealistic time requirements or massive amounts of information. To the extent that individuals experience a conflict between the demands of their Board role and their other roles, their contribution to the Board may suffer if they are not strongly committed to the mandate and goals of the organization.

"Board members require extensive information prior to appointment, so can make an informed decision to accept appointment."
Survey Respondent

Survey Results

- Board members and senior management both reported extremely high commitment to the goals of their organization (98%).
- Board members' strong commitment to the organization likely developed as a result of their participation on the Board, as just less than half of Board members (49%) indicated they knew a lot about their organization before being appointed to the Board.

- Most Board members (76%) do feel they place their reputation at stake by agreeing to serve on a public sector Board. Most senior management agreed (64%).
- Board members devote, on average, 10 hours a month on behalf of the Board attending Board and committee meetings, and spend an average of 4.5 hours preparing for each Board meeting.
- 13% of Board members reported that the time commitment for their Board is excessive; most Board members (65%) did not report concerns with respect to the time commitment.
- The majority of Board members (77%) do not find attending Board meetings difficult given their other time commitments; only 8% noted this as an issue.
- About a third of Board members (33%) indicated they had to give up other community and volunteer activities due to the time commitment required for the Board; but the majority of Board members (52%) did not find this to be an issue.



The assumption that Board members will give all the time and energy that is required to their Board role also does not adequately recognize the composition of a Board as a group, in which some members may not see their contribution as making a difference, and thus, may leave the actual work of governance to others. To overcome this concept of free-riding, individual Board members must have a sense of making a positive difference in order to remain committed to the Board over time. Further, the benefit of serving on a public sector Board is composed of a variety of cognitive, emotional and behavioural factors, as well as any monetary considerations. These include: the feeling of making a difference to an organization or to one's community; the social satisfaction and networking opportunities from meeting and working with others; and the feeling of caring and pride in the success of the organization and the achievement of its goals.

"I find there is a general inconsistency in attendance of Board members...I feel Board members should be actively engaged in this important responsibility and should be held accountable for non-attendance."

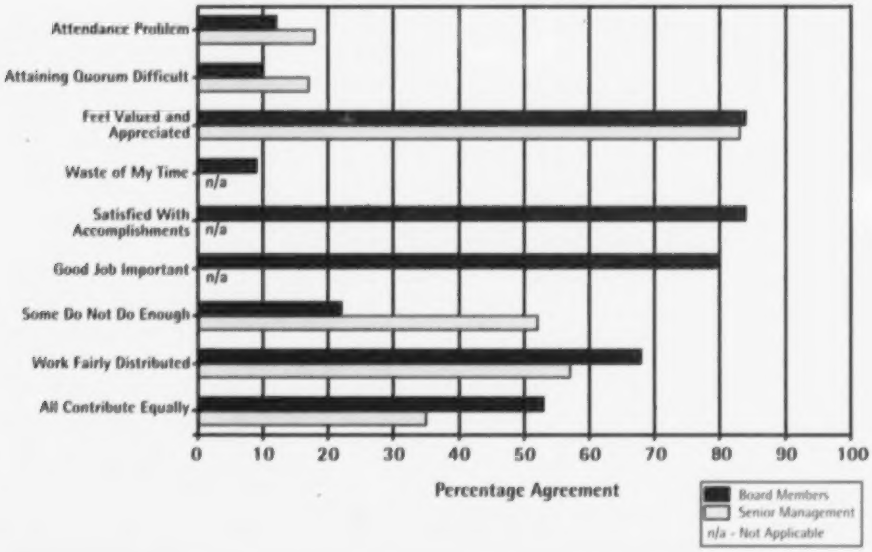
Survey Respondent

Board members are more likely to contribute fully if they feel valued and appreciated for their contribution to the Board, and feel that their involvement is a valuable use of their time and effort. If a Board routinely has difficulty achieving quorum or has chronic attendance problems, it can be an indicator that Board members do not feel their contribution to be worthwhile and their commitment level may be compromised.

Survey Results

- 12% of Board members and 18% of senior management reported that attendance at meetings is a problem for their Board; the majority of Board members (73%) and senior management (66%) reported no attendance issues.
- Attaining quorum was noted as an issue for 10% of Board members and 17% of senior management.
- The majority of Board members (84%) feel appreciated and valued as a member of their Board; senior management (83%) agreed that Board members are valued and appreciated.
- Few Board members (9%) felt that being on the Board was a waste of their time; on the contrary, 85% of Board members indicated it was not. Further, the large majority of Board members (84%) noted they are satisfied with what has been accomplished since they have been on the Board.
- Most Board members (80%) noted that it is important to them to be viewed by others as doing a good job. Yet, 22% of Board members and over half of senior management (52%) felt that there are some Board members who spend less time than is required to do an adequate job. This perception by senior management is significantly higher than in 1998.
- The majority of Board members (68%) feel that the work of the Board is distributed fairly amongst Board members; only 12% did not. Senior management was slightly less certain, with 57% indicating it was equitable, and 25% indicating it was not.
- About half of the Board members (53%) feel that in general everyone on the Board contributes equally. Senior management was less certain of that, with just as many indicating Board members do not contribute equally (35%) as those indicating that they do (35%).

Contribution and Attendance



Most Board members serve on public sector Boards as a public service and many consider it an opportunity to give back to their community. In fact, a number of public sector Boards within our sample are completely voluntary in nature and members receive no *per diem*, stipend or honorarium for their service. Some public sector Boards receive modest compensation for attendance at meetings, which is usually specified in the Order-in-Council as either a *per diem* for meetings attended, or an annual stipend. Only rarely in the public sector is the Board position compensated at a level similar to private sector corporations. From the respondent commentary provided on the survey, it was clear that Board members have divergent perspectives as to whether compensation is adequate, with some feeling strongly that their involvement should remain completely voluntary and some feeling just as strongly that appropriate reimbursement is important. The commentary also reflected a perception of the difficulty in recruiting Board members with specific qualifications. Yet, even given the relatively small monetary compensation received by most of these Boards, it is not uncommon to find that public sector organizations have some of the most committed and long-serving Board members.

"I... think it functions best as a volunteer Board without compensation."
Survey Respondent

"Time commitment is pretty intense–compensation should be received."
Survey Respondent

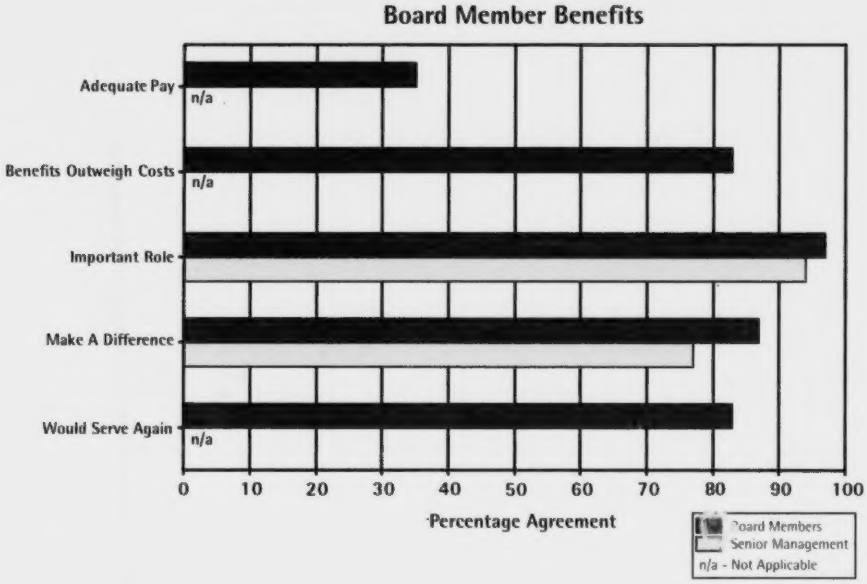
"Compensation received does not represent proper return for time spent."
Survey Respondent

Most Board members are compensated for reasonable out-of-pocket expenses incurred on behalf of their work on the Board. Care must be taken by Board members in incurring appropriate expenses in respect of their Board duties, to avoid negative perceptions, either internally by the organization's staff, or externally, by government or public opinion. Expenses by Board members should adhere to the organization's expense reimbursement policies, and/or to comparable levels of expense reimbursement for public service positions as set out in government policies. Overall Board compensation is required to be disclosed as outlined in *The Public Sector Compensation Disclosure Act* in Manitoba.

"The per diem paid to Board members has not been adequate to compensate Board members for time they must take off work. We have lost good members because of this and it is hard to get some people to put their names forward."
Survey Respondent

Survey Results

- Board members are split as to whether the stipend paid to them is adequate for their involvement on their Board, with 35% indicating that it is and 39% indicating that it is not.
- Even so, the large majority of Board members (83%) indicated that, taking all things into account, the rewards from being a Board member has outweighed the personal costs.
- 97% of Board members feel that their work on the Board fulfils an important role in their community; 94% of senior management agreed.
- 87% of Board members indicated they are satisfied that their governance contribution on the Board makes a positive difference to their community; 77% of senior management agreed.
- 83% of Board members indicated that they would serve another term if asked.



Our Observations

- *Our 2008 survey reveals a very high level of commitment amongst public sector Board members to their organization and its goals; even higher than in 1998. Although only about a third of Board members indicated that the stipend paid in the public sector adequately compensates them for their involvement, the large majority of Board members perceive their Board role and contribution to be 'worth it' and are satisfied overall that it makes a positive difference to their community. Difficulty attaining quorum or chronic absenteeism is not reported to be an issue for most public sector Boards of Directors.*
- *While most public sector Board members indicated they want to be perceived as doing a good job and reported they devote considerable time and energy to their Board duties, over half of senior management and almost a quarter of Board members indicated that there are some Board members who are not doing enough. Given that this perception, especially from senior management, is significantly higher than it was in 1998, we note that more effort may be required to enhance and evaluate individual Board members' effectiveness.*

2.3 Board Orientation and Training

The specific governance structures, activities and processes utilized by a Board of Directors to fulfill their governance responsibilities can vary significantly from Board to Board. As such, even the most experienced Board member needs to be provided with sufficient and appropriate orientation when newly appointed to a Board. While many Board members in the public sector have been previously active on not-for-profit or private sector Boards, they are not always familiar with the unique characteristics of the public sector.

A formal orientation program should be provided to all Board members to introduce the specific organizational context, as well as the Board-specific processes and activities. The information for such an orientation program could be developed into or incorporated within a Board manual, which includes a clear outline of Board roles, responsibilities, and structural relationships, as well as Board by-laws and the mandates or terms of references of any Board committees. Biographical information on fellow Board members, as well as key staff, should also be included. The orientation program could also include facility tours by the Chair and senior management, with introductions to key internal staff.

"It is taken for granted that all new Board members can hit the ground running but there is training that has to be done."

Survey Respondent

"It is a very difficult learning curve – this governance form of managing and many do not understand."

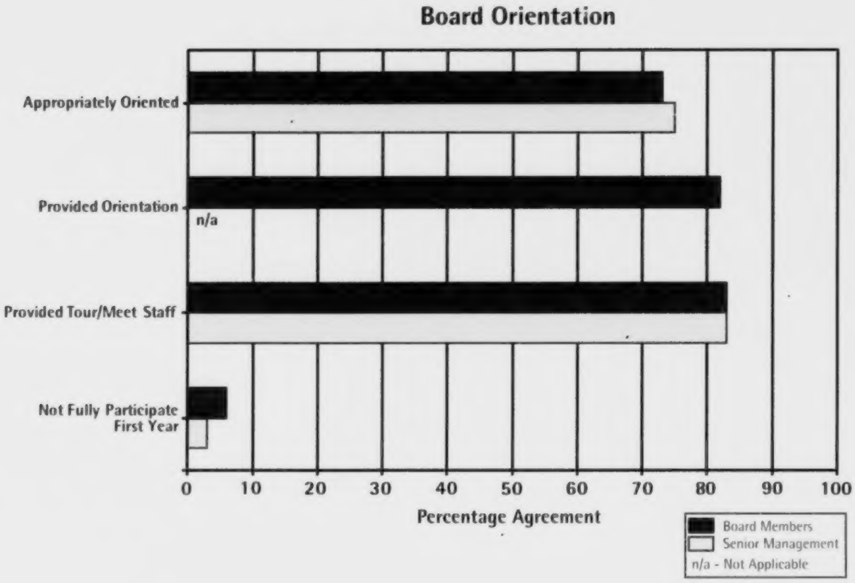
Survey Respondent

"Orientation should be implemented as soon as possible or immediately after appointment or election."

Survey Respondent

Survey Results

- Board members are appropriately oriented to the Board when appointed, according to 73% of Board members and 75% of senior management. This is important because as noted previously, just less than half of Board members (49%) knew a lot about the organization prior to their appointment.
- 82% of Board members report they were provided with an orientation after being appointed to the Board. Of these, 98% indicated that the orientation provided was useful or very useful to them.
- Board members are provided with a tour of the organization and meet key staff members, according to 83% of both Board members and senior management.
- It is important that Board members come 'up to speed' on the organization as soon as possible, as there is very little support amongst Board members (6%) and senior management (3%) for the assumption that new Board members are not really required to fully participate for the first year on the Board.
- When asked what improvements could be made to the orientation process for new Board members, 35% of Board members provided a total of 169 suggestions. The most frequent suggestions (in descending frequency) were:
    - General governance training and specific Board responsibilities/liabilities;
    - Done on a more timely basis/ Conduct prior to first meeting;
    - Conduct orientation in phases/ More sessions but shorter and over a period of time;
    - Need to do orientations/ Need for a formalized process; and
    - Orientations too rushed/ Needs to be longer.



"There is a huge amount to learn about our organization even for me – a Board member elected from [another] governing body."

Survey Respondent

"The majority of our Board do not understand a financial statement, nor the strategic plan as a whole. They rely on the highlights provided by CEO."

Survey Respondent

Ongoing training and development opportunities should be provided to all Board members throughout their tenure on the Board. Governance literature notes that high-performance Boards are more likely to offer such ongoing training opportunities. Even seasoned Board members benefit from continual upgrading in key governance competencies (such as, risk management), and/or from sessions devoted to enhanced understanding of key issues facing the organization. Leading practices suggest providing such sessions at annual Board retreats, or by inviting external speakers to provide presentations on key topics at the end or beginning of Board meetings. As well, some Boards provide opportunities for members to attend conferences on governance, financial issues and/or industry-specific topics.

It has been noted that *"one of the most critical, and often overlooked, aspects of Board orientation training is development of Board member competence in understanding financial statements".*[8] Financial literacy training that is specific to the organization's financial statements should be provided to all Board members, as research indicates that Board members are generally reluctant to admit that they do not understand the financial information provided to them, and hence, are reticent to specifically request financial training.

Boards give a variety of reasons for not providing ongoing training, including lack of financial resources to support the governance function, and an assumption that Board members are too busy to attend such sessions or are simply uninterested in doing so. Our survey tested each of these theories and did not find them to be strongly supported.

Serving on a public sector Board of Directors often brings different challenges than serving on a private sector or not-for-profit Board. Regardless of the amount of previous private sector or not-for-profit experience a Board member may have, it is often not comparable to the sheer size and scale of the budgets, revenues and capital expenditures in some public sector organizations. Managing the Board's relationship with the Minister and Department officials, as well as understanding the inter-relationships and processes of various government actors which may impact the Board (such as Treasury Board and Cabinet), adds significant complexity to the public sector Board member's role.

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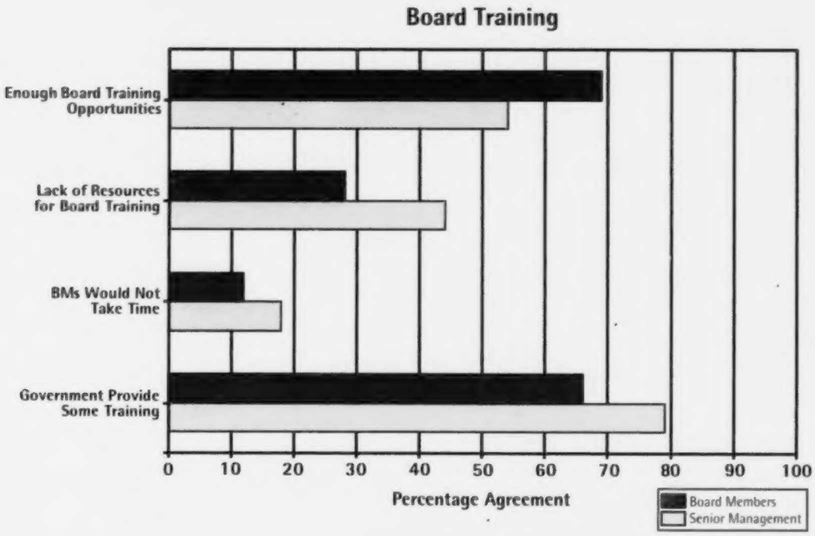
[8] Institute on Governance, *Governance Do's & Don'ts: Lessons from Case Studies on Twenty Canadian Non-profits.* www.iog.ca

Several provincial jurisdictions have established Board Secretariats and Resourcing Offices which provide general governance training that is specific to the public sector role, as well as central support to public sector Board members on a variety of issues. As Manitoba has no such centralized resources, it was not surprising to find a high level of support among survey respondents that government can do more to provide governance training and capacity building opportunities for public sector Board members. Our discussions with Ministers regarding this issue noted the value of providing training specific to the public sector Board role as a method to ensure clarity and consistency.

"What helps is the people we have come in and speak and present to our Board re: their "jobs" or their areas of concern/ work – this gives one an overall sense of the whole picture."
Survey Respondent

Survey Results

- 69% of Board members feel they have been provided with enough training opportunities to do the governance job required; there was less agreement from senior management (54%).
- 28% of Board members felt the organization does not have the resources to provide Board member training or attendance at governance or industry-specific conferences; most disagreed (45%). Senior management was somewhat split on this issue with 44% indicating that the organization does not have the resources and 51% indicating that they do.
- Few Board members (12%) indicated that they would not take the time to attend governance or industry-specific training; most indicated they would (67%). Senior management also agreed that Board members would take the time (60%); just 18% felt their Board members would not.
- Two-thirds of Board members (66%) and even more senior management (79%) feel that government should provide greater governance training/capacity building opportunities for public sector Board members. Suggestions for training from government included training in how government works, departmental structures, and legislation.
- When asked what further training should be provided to public sector Board members, 45% of Board members and 50% of senior management took the time to provide a total of 321 suggestions. The most frequent suggestions (in descending frequency) were with respect to:
  - General governance training and refreshers on roles, responsibilities and liabilities;
  - Financial literacy training (including understanding financial statements, budgets, and audit); and
  - Sector-specific training (such as health, child welfare, and post-secondary education).



Our Observations

- *A formal orientation program for new Board members should always be part of a public sector Board's ongoing process. Given that half of Board members noted they did not know much about the organization prior to being appointed, every attempt should be made to conduct the orientation prior to their first Board meeting so that Board members are fully participating as quickly as possible.*

  FOR GOVERNMENT'S CONSIDERATION: Especially given that serving on a public sector Board of Directors brings different challenges than those faced by private sector and not-for-profit Boards, more central support could be provided to public sector Boards of Directors through access to training with respect to the public sector Board member's role. Such training sessions could include discussion of the expectations of the public sector governance role, public sector accountability issues, public sector accounting issues and financial literacy, as well as general information on the Manitoba public sector context.

- *More work can be done in providing ongoing training and developmental opportunities for Board members. Our survey found that Board members would be willing to take the time to attend sessions if offered. Resources were not generally perceived to be a limiting issue for Board members, however senior management was split on this issue. It was also clear from our survey that ongoing training does not have to be complex; the overwhelming suggestion for the type of ongoing and refresher training required was with respect to general governance roles, responsibilities and liabilities. Training in financial literacy was the second most common suggestion.*

RESPONSE FROM GOVERNMENT OFFICIALS

While individual boards have always offered training specific to their boards, the government recognizes the need for a training program that addresses the fundamentals of board member roles and responsibilities. As a result, we are currently in the midst of developing a centrally administered orientation session for all new board members. This will be followed by the development of more advanced training and development programs that will be available for board members.

2.4 Board Structure and Meeting Processes

To do its job effectively, a Board needs to be well organized with the appropriate processes and structures in place to accomplish its goals. Leading practices require that a Board holds sufficient meetings to conduct its business, and devote adequate time to discussion and consensus building. In order to do this, Boards must consider basic structural components like the Board size and number of meetings to be held per year; adopting and following appropriate By-laws; and establishing appropriate Board Committees to facilitate the work of the Board. It also includes organizing the Board's work and having processes in place, such as preparing meeting agendas, annual workplans, and keeping minutes of meetings, to facilitate successful governance by the Board.

2.4.1 Board Structure and Governance Approach

The size of the Board should allow for adequate representation of alternate viewpoints, but not be so large as to be unwieldy or make decision-making cumbersome. The ideal Board size depends on the organization's situation and unique context, however, most governance literature suggests the preferred size to be in the range of 8-12 members. Having too small a Board can create difficulties for the effective functioning of the Board, including problems attaining quorum for decision-making. However, of more concern are Boards that are too large. Studies indicate that too large a Board hampers effective decision making and Board member input. As overly large Boards are cumbersome for decision-making, one of the concerns is that such Boards will create smaller Committees or subsets of the Board that become the true decision-makers (e.g., an Executive Committee). Such Committees can become the *de-facto* Board (sometimes called the shadow Board), which makes all significant decisions and thereby relegates the full Board to simply ratifying pre-made decisions. Such a situation seriously hampers governance effectiveness and can lead to deterioration in the overall Board fully performing its decision-making role.

"Two bad things result from large Boards...a committee (e.g., Finance or Executive) becomes the locus for free discussions and shaping key decisions since large groups cannot effectively form policies and positions [and] *people are encouraged to act as representatives of their constituency rather than setting aside personal perspectives to do what is best for the organization as a whole."*

Survey Respondent

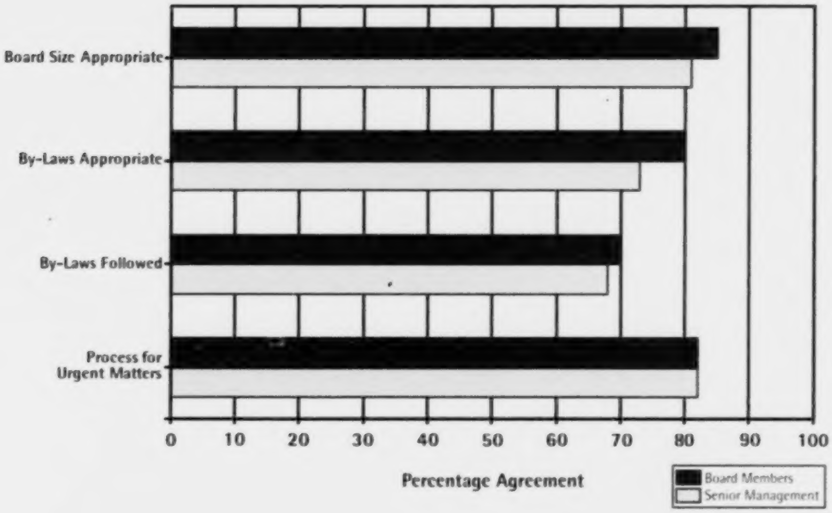
By-laws are a fundamental component to good governance, as they underpin the functioning of the Board. By-laws set out the agreed-upon rules by which the organization will be governed. By-laws usually specify the powers of the Board and how the Board will conduct its work. Provisions usually include important structural components such as the size of the Board; how Board members are appointed and removed from the Board; term limits; the roles of officers; how urgent matters are to be handled between meetings; as well as how specific governance functions are administered such as notice of meetings, quorums, and voting protocols.

The By-laws provide a point of reference for dealing with any governance issues which may arise and/or any Board conflicts or challenges to Board decisions. The Board must always ensure they are operating in accordance with all of the By-law provisions and procedural rules. The Board should have the authority to make, amend, or repeal any By-laws, but such changes usually need to be approved at the organization's Annual General Meeting before coming into effect. The Board should ensure it periodically reviews and updates its By-laws to accurately reflect the functioning of the Board.

Survey Results

- In our sample, the Boards of Directors ranged in size from 5 to 31 members. The average Board size was 11-12 members.
- Board size was reported to be "about right" by 85% of Board members and 81% of senior management. Concern was expressed about having too many members on the Board by 10% of Board members and 14% of senior management.
- Board by-laws are appropriate and reviewed periodically, according to the majority of Board members (80%) and senior management (73%).
- Board by-laws are perceived to be followed by 70% of Board members and 68% of senior management; few Board members (6%) and senior management (8%) indicated there were instances where they had not been followed.
- A process for handling urgent matters between meetings has been established, according to 82% of both Board members and senior management.

Board Structure



Clarity with respect to the governance approach adopted by a Board is extremely important to ensuring effective governance. There is no single approach to governance that is suitable for every organization in all circumstances. As every Board is unique and operates in a distinctive environment and set of circumstances, the governance approach adopted by a Board may need to be modified over time to reflect a Board's current challenges. However, it is incumbent upon a Board to then ensure that the particular details of the approach are discussed and clearly understood by all Board members, and that training is provided as required.

While Board By-laws often contain many provisions with respect to the governance approach to be utilized by the Board, this is not always the case. In such cases, Boards should also develop a governance manual and/or approve specific governance policies detailing Board functioning. These should be reviewed periodically and updated as necessary to accurately reflect the Board's functioning. Leading practices also suggest that Boards develop an annual workplan as a tool to ensure that all its governance functions are fulfilled throughout the year.

Some of the organizations within our sample indicated they utilize a governance approach based on the Policy Governance model (sometimes referred to as the Carver Model), which was initially developed for not-for-profit organizations.(9) The Policy Governance model is intended, when fully implemented, to provide clarity of the roles, functions and responsibilities of the Board versus those of management. It is by design highly prescriptive, requiring a disciplined approach to implement all aspects of the model.

Adopting the Policy Governance model requires extensive training for all Board members and a significant time commitment to policy development and documentation. Given that the model concentrates a high degree of organizational power in the position of CEO, the executive limitations and monitoring policies are extremely important, and the Board must rigorously monitor CEO performance and policy implementation. Ongoing training for new members is also an important requirement for Boards utilizing this approach.

Many organizations opt to modify or tailor the Policy Governance model to suit their particular circumstances. However, caution must be taken in such instances, and any adaptations made to the Policy Governance approach should be carefully reviewed and considered. As per their own website, *"using parts of the system can result in inadequate or even undesirable performance ...people tend to alter this and that segment so that it loses its coherence; that is, there is a tendency to 'cherry pick' and thereby to destroy the soundness of the design. ...Because Policy Governance is a set arrangement of concepts and principles, if modified it is no longer Policy Governance."*(10) Our past governance reviews have found instances where Board members and management claim they are utilizing a Policy Governance approach, but the Board's processes, policies and documentation did not adequately reflect the model and few current members had received adequate training in utilizing the model. As a result, many Board members were unable to explain the model or its impact on the practices and functioning of their Board. This weakens governance effectiveness.

"We follow the Carver model of Board governance. I find it cumbersome and somewhat confusing. A lot of time is spent on Board governance process which actually detracts from doing actual governance."
Survey Respondent

"Board governance model (Carver) is good."
Survey Respondent

"I think the Carver model of governance gives CEO too much power over the organization, which also gives them the opportunity to influence the Board members."
Survey Respondent

"The Carver Model of governance is very difficult to get your head wrapped around. More training in the Carver method is required."
Survey Respondent

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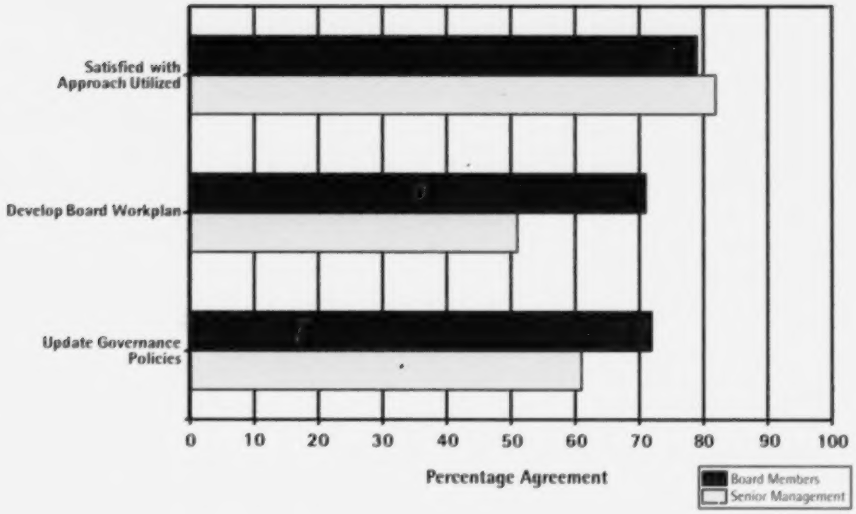
(9) Carver, John, *Boards That Make a Difference*, 1990. www.carvergovernance.com

(10) www.carvergovernance.com

Survey Results

- The majority of Board members (79%) reported they are satisfied with the governance model, approach, or style adopted by the Board; 82% of senior management agreed.
- 71% of Board members indicated the Board develops an annual workplan to ensure all governance activities are fulfilled. However, only 51% of senior management agreed that this occurs.
- 72% of Board members and 61% of senior management indicate that they regularly review and update their governance manual or policies.

Governance Approach



2.4.2 Board Meetings, Minutes and Agendas

Board members can only function collectively as the Board. As individuals, Board members do not generally have any authority, unless a specific authority has been delegated to them by the Board. Hence, in order to act, Board members must meet to discuss, formulate and approve decisions. By-laws generally set out rules for how meetings are to be called and what notice is required. Boards are not usually limited in the amount of meetings they may hold. Some Boards find it more useful to meet for a few hours on a monthly basis, while some choose to hold full day meetings on a quarterly basis. Board members should strive to attend all meetings, in order that the organization can benefit from the experience, perspectives and judgement of each of the Board members in decision making.

Leading practice calls for Board members to meet in person and come prepared so that they may engage in full and frank discussions on the matters before them. When this is not possible or practical, Board members should attempt to participate by teleconference or other technological means in order to not lose the benefit of their participation altogether. This however should not become regular practice, as participating by telephone limits interaction and sometimes does not allow the Board member to fully hear all that is being said, nor allow them to appreciate visual aspects of the meeting such as presentation materials, or even body language. The social and group dynamics of Board meetings is an important component to effective governance (Refer to Section 2.6 for detailed discussion). Our survey found that Board members do not prefer utilizing technology to replace holding Board meetings.

"The meeting needs to start on time – typically starts 10-15 minutes late while the Chair waits to see if latecomers are coming or not. The result: a lot of people come late because the meeting never starts on time!"

Survey Respondent

Meetings must be planned and organized so that ample time is provided for discussion and debate of matters before the Board. There should be a balance between the amount of time the Board spends listening to presentations and information, and the amount of time spent in discussion of matters. If a meeting needs to go longer than the allotted time period, the Chair may seek consensus from the Board to extend the meeting, however, meetings should not go on and on for hours on end. If consensus to extend the meeting does not exist or if quorum is lost, then items should be adjourned and tabled to the next meeting or another meeting should be scheduled, as necessary.

While meetings should not routinely go past the scheduled time period, it is just as much of a concern if meetings are short, routine affairs that deal with matters overly expeditiously. This may be a sign of a Board that simply rubber-stamps its approval of decisions, and is not taking its governance role and oversight responsibilities seriously. While efficiency is important, the Board must ensure it takes the time required to deal with all matters to the satisfaction of the Board members and to a level of due diligence. In several of our past governance reviews, we have found instances where Board members were pressured to make decisions too quickly and in a manner that circumvented proper procedure and review.

"I often feel that questions, posed to clarify issues, are not that welcome, and seen as slowing down the agenda."

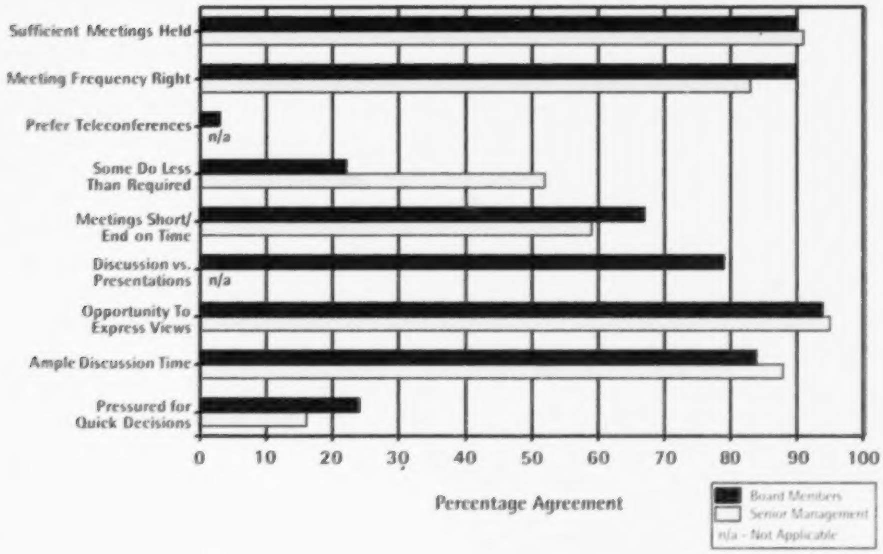
Survey Respondent

Survey Results

- The number of meetings held per year is sufficient for the Board to be effective, according to 90% of Board members and 91% of senior management. The frequency of Board meetings is also deemed to be "about right" by 90% of Board members and 83% of senior management.
- As previously noted, Board members devote, on average, 10 hours a month on behalf of the Board attending Board and committee meetings, and spend an average of 4.5 hours preparing for each Board meeting. Also, attaining quorum and attendance problems are not generally issues for these Boards.
- Very few Board members (3%) indicated they would prefer to hold teleconference meetings; the vast majority (83%) does not.
- Although about a quarter of Board members (22%) noted that some of their fellow Board members spend less time than is required to do an adequate job; most (54%) reported that enough time was spent by all. Senior management however had a completely different view, with more than half (52%) reporting that some Board members spend less time than is required to do an adequate job.
- Meetings are short, efficient and usually end on time, according to 67% of Board members and 59% of senior management.
- Most Board members (79%) are satisfied with the amount of time spent at meetings discussing issues and asking questions as opposed to listening to presentations.

- Board members have the opportunity to express their views at meetings, according to 94% of Board members and 95% of senior management. Further, 84% of Board members and 88% of senior management report ample time is provided for discussion and consensus building at meetings.
- About a quarter of Board members (24%) have felt that the Board was pressured to make a decision too quickly on occasion; 16% of senior management agreed.

Board Meetings



The meeting agenda is an important tool for managing the conduct of business and ensuring that Board or Committee discussions are focused and well-structured. The meeting agenda belongs to the Board, not management, and the lead responsibility for setting the agenda is usually a function of the Chairperson. The Chair should work in conjunction with management in setting the agenda. All Board members should also be provided an opportunity to suggest or add agenda items to the meeting. This is one of the reasons that approval of the agenda is often the first item at a Board meeting. A Board should not rely on management to set the agenda, nor be passive in guiding what issues are to be dealt with at the Board level.

Agendas should be circulated to Board members prior to meetings so that all have sufficient time to read attachments and consider agenda items in advance of meetings. Agendas should be structured to reflect the key decisions to be made at the Board meeting. The most important issues should be dealt with first. This helps to ensure the Board is given ample time to become informed on key issues and to discuss and debate any issues prior to decision-making. In this way, if at the end of the meeting, it appears that not all agenda items will be able to be dealt with, the items that are deferred to the next meeting are of a less critical importance.

Poor governance practices with respect to agendas includes having overly-long agendas that require meetings to always be extended or items to be continually deferred. Another poor practice is when a Board follows a completely standardized agenda that never changes and where the first part of the meeting is spent on routine matters (such as approval of past minutes, and receiving 'good-to-know' presentations), while more critical issues (such as financial matters and/or oversight of new initiatives) are left to the end of the meeting. As key risks to the organization rest in these oversight items, the agenda should be rotated on a regular basis, so that these items are given sufficient time and attention. Studies indicate that the energy and participation level of Board members is greatest in the early part of meetings, and that items in the latter part of the meeting are given short shrift. Hence, it is best to harness members' attention and energy for key decisions and to move the routine, consent items that Boards have to deal with to the end of the agenda.

"Agendas tend to be very long – at times, doesn't leave much time for discussion or when time allowed for discussion, meetings go on forever... After a long day at work, participation of Board members is seriously impacted."
Survey Respondent

Some Boards utilize the concept of a "consent agenda" to help deal with routine matters efficiently. This usually includes formalities that require Board approval, but which are not likely to require much debate. Board members receive all the information related to these items in their pre-meeting package and it is assumed they have read and agreed to the motion unless Board members wish to raise the issue or ask questions at the meeting, in which case they would request the item be moved to the regular agenda. Implementing such an approach requires the agreement of all Board members on the items to be placed on the consent agenda. Further, the onus rests on Board members to take the time in advance of meetings to review these items and ensure that they raise issues when required, or if they wish to oppose a decision.

Leading practices suggest agendas include some time reserved to an *in-camera* session as part of each Board meeting. An *in-camera* session is usually one in which the Board meets without the presence of any management, thereby allowing the Board to discuss any items, issues, or concerns they may not wish to raise in front of management. The intention is simply to allow an opportunity for an open, frank discussion by Board members or even between Board members, as necessary. The Chair takes responsibility for ensuring that any decisions or discussions that arise in an *in-camera* session are shared with management, as required. Some Boards use the *in-camera* session as a way to quickly evaluate the Board meeting and ensure all members are satisfied with the information received and discussion held. Note that *in-camera* sessions are also utilized in situations where Board meetings are held in a public forum, as a way to deal with confidential matters where public disclosure could be harmful to the organization (e.g., contract or property negotiations), or to an individual (e.g., human resource staffing or disciplinary issues).

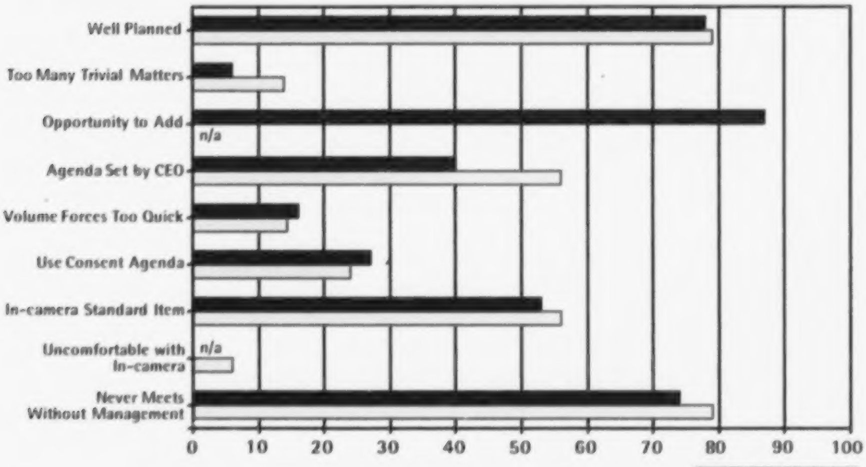
Holding *in-camera* sessions as a regular routine component of the Board's agenda, even if only briefly, assists in ensuring such sessions are a normal part of Board functioning, and lessens any management concerns that may arise if such sessions are only held if specifically requested by a Board member. Our past governance reviews have found that Board members are loathe to request an *in-camera* session as they do not wish to make management feel uncomfortable or denigrate the trust relationship. Our survey explored this issue with senior management, and found that very few noted being uncomfortable with such sessions; the vast majority reported no such concerns.

"Board members must request this [in-camera session] *if there is a reason, and then it is awkward. Therefore it almost never happens."*
Survey Respondent

Survey Results

- Board agendas are perceived to be carefully planned, and based upon the emerging needs and strategic issues of the organization, according to 78% of Board members and 79% of senior management. Few Board members (6%) and senior management (14%) indicated that too many trivial matters were dealt with at Board meetings.
- 87% of Board members indicate that they are given an opportunity to add issues to the agenda as required.
- The majority of Board members (40%) and senior management (56%) indicated that their Board agendas are set by the CEO; about a third of Board members (34%) and senior management (33%) indicated that this is not the case.
- Most Board members (63%) and senior management (73%) do not feel that the volume of the agendas forces them to move too quickly through the issues. However, 16% of Board members and 14% of senior management indicated that it does.
- About a quarter of Board members (27%) and senior management (24%) indicated their Board uses a consent agenda to speed up meetings so that the focus can be on key issues requiring debate.
- About half the Board members (53%) and senior management (56%) told us their Board holds in-camera sessions as a standard agenda item that occurs at almost all meetings, even if only briefly.
- Senior management was asked whether they feel uncomfortable with the Board holding in-camera sessions and very few (6%) indicated this was the case; most (84%) indicated they were comfortable with such sessions.
- Yet, 74% of Board members and 79% of senior management indicated the Board almost never meets without management present.

Board Agendas



Board minutes are an important record of the meeting proceedings and decisions made. They should be an accurate representation of what occurred at meetings and should be prepared, distributed and approved on a timely basis. All Board members are responsible for ensuring the accuracy of the minutes as reflective of the proceedings and decisions made. Hence, approval of Board minutes should not be considered simply a routine, tedious exercise. If any member does not feel the minutes are an accurate reflection of the meeting discussion, they should request amendments to the minutes at the next meeting.

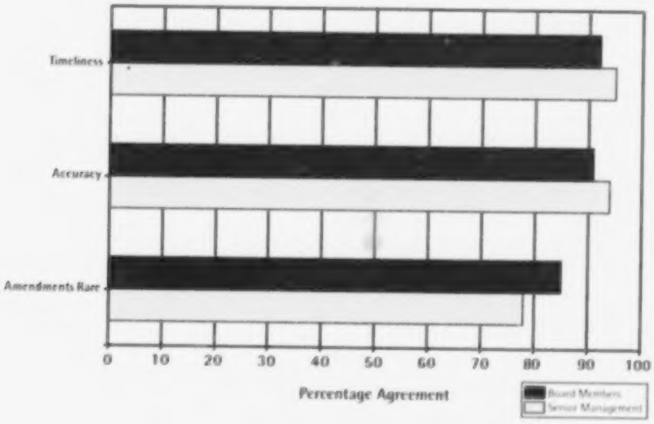
Minutes serve to protect all Board members, especially in instances where they vote against a decision. Most Boards resolve issues by majority vote and while consensus may be preferred, decisions do not generally have to be unanimous. Board members should never hesitate to vote against a proposal, should they feel strongly that it is not the right course of action for the organization. Also, they should not hesitate to have their negative vote recorded, if desired. If a Board member does not attend a meeting, their responsibility for a decision made is not lessened, so if they disagree with a particular decision taken, they must have their opposition noted. There are often provisions in By-laws to address such situations; in most cases, the onus is on the Board member to advise the Chair in writing, and/or to have their vote against the decision recorded at the next meeting.

> *"I feel Board minutes should better reflect discussions held at the Board. All minutes seem to look the same."*
> – Survey Respondent

Survey Results

- Minutes of Board meetings are prepared in a timely manner, according to 92% of Board members and 95% of senior management.
- Minute accurately reflect the proceedings of Board meetings, according to 91% of Board members and 94% of senior management.
- Most Board members (78%) and senior management (85%) noted that changes and amendments to the minutes are extremely rare.

Board Minutes



Our Observations

- *While Board size was not reported to be an issue for most Boards, those Boards that are extremely large or extremely small may wish to discuss options for improvement. If legislative changes are required, this may require discussion with the Minister and government officials.*
- *Board members are generally satisfied with their meetings and the opportunity given to them to express their views. A strong difference of opinion was noted between Board members and senior management with respect to how prepared Board members are for meetings. Given that about half of senior management expressed concern that some members are unprepared, this may warrant a discussion by individual Boards.*
- *We noted that too many Boards are overly passive in allowing their Board's agenda to be set solely by the CEO. The Board's agenda belongs to the Board and while the Board Chair would likely often set the agenda in conjunction with the CEO, it should never be set solely by the CEO. The use of in-camera sessions could be increased, as only half of respondents reported that in-camera sessions are a standard agenda item that occurs at almost all meetings, even if only briefly.*

2.5 Board Committees

Board Committees play a valuable role in ensuring the Board receives carefully considered information in order to fulfill its governance responsibilities effectively. Some Boards establish Standing Committees to fulfill specific functions, and/or utilize special or *ad hoc* Committees to review and research a specific issue on behalf of the Board. Committees can spend concentrated time exploring and reviewing issues, and can assist the Board by bringing carefully considered recommendations to the Board's attention.

"When an emerging issue develops, the Board forms a task force to deal with the issue."
Survey Respondent

Generally, Committees play an advisory role to the Board and do not have specific authority to make decisions on behalf of the Board. In most cases, Committees examine specific issues and prepare recommendations for the Board's consideration and full Board approval. The Board can approve or amend the Committees recommendations, or refer the issue back to the Committee for further study or modification. Authority for a Committee to act on behalf of the Board is not common, and where it exists, should be limited to specific circumstances and should have the prior approval of the Board, as the Board is not absolved from responsibility for a Committee's work or decisions.

"Some Committees become too involved in operational issues, rather than governance issues."
Survey Respondent

The particular Committees established by a Board can vary depending on the context of the organization and the specific requirements of the Board. The key consideration in creating or eliminating a Committee is to assess how it contributes to the Board fulfilling its governance functions and responsibilities. Governance literature stresses the importance of Committees not being overly involved in day-to-day organizational issues and not being created to simply mimic organizational structure or replicate any management/staff functions. Such Committees may create an accountability issue with management. Further, Committees consume valuable Board member and staff time, so care should be taken not to establish too many Committees. Some Boards make the mistake of creating Committees as a means of keeping its members engaged in the organization, or to ensure that each Board member has a Committee to serve on so all can earn the same *per diem*.

Public sector Boards of Directors generally have control over the selection and appointment of their Committee members. Committee members are usually selected by the Board, based on the interest and expertise of the Board members or by a specific criteria, such as automatic designation due to holding a particular position on the Board (e.g., Vice-Chair). New Committee members should be provided with orientation and/or training specific to the role of the Committee (e.g., enhanced financial literacy training for Audit Committee members).

"Board members need to be asked about their interests before being appointed to committees."
Survey Respondent

Current governance literature commonly identifies four Committees which may assist the Board in fulfilling their governance function: the Audit Committee; Governance Committee; Nomination Committee; and Executive Compensation Committee. Some Boards choose to establish various other Committees, such as an Executive Committee, Finance Committee, or Strategic Planning Committee. As noted previously, care must be taken, especially when establishing an Executive Committee, that the Committee not usurp the role of the Board. The use of an Executive Committee must be carefully managed, so that it is not perceived to be pre-making all decisions, thereby marginalizing other Board members as it is often difficult for those not on the Executive Committee to re-open discussion of an issue or have real input into the decision. Such a situation can weaken governance effectiveness.

"Too many committees takes its toll on the cohesion of the board – people lose track and don't feel involved enough."
Survey Respondent

The need for Executive Committees has begun to be questioned in current governance literature as current technology largely makes such Committees unnecessary on reasonably sized Boards. The use of technology allows all Board members to be notified of emergency issues instantly and to be easily brought in to an urgent decision, as necessary. Given that all Board members are equal, carry equal risk liabilities, and should be treated equally, the concept of some Board members having a more executive or senior position is unnecessary. As noted in Dimma, *"As corporate boards have grown smaller, executive committees have become less common...they are, in fact, an endangered species! Global telephony has facilitated this evolution. And an important side benefit of their approaching demise is that directors are no longer classified into two categories: those on the inside and in the know, and everyone else".*(11)

"Critical issues are often decided by the Executive Committee. The total Board should be contacted more often."
Survey Respondent

Survey Results

- The Committees established by the Boards in our sample include: Executive Committees (59%); Audit Committees (57%); Governance Committees (31%); Planning Committees (25%); Human Resources Committees (22%); Nomination Committees (21%); Finance Committees (16%); Policy Committees (15%); Community Relations Committees (11%); and Investment Committees (5%).
- 53% of Board members and 50% of senior management indicate that their Board creates special or *ad hoc* Committees to deal with specific or emerging issues. These were most commonly noted to be an Executive Search Committee, or a Governance/By-law Review Committee.

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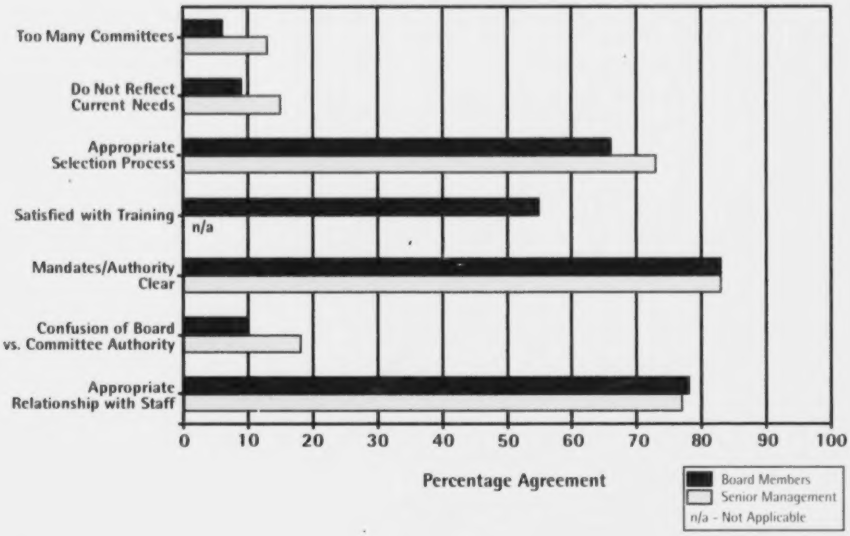
(11) Dimma, William A., *Tougher Boards for Tougher Times: Corporate Governance in the Post-Enron Era*, 2006.

- Few Board members (6%) and senior management (13%) felt that they have too many Committees; the majority of Board members (75%) and senior management (61%) did not perceive this to be an issue.
- Further, few Board members (9%) and senior management (15%) felt that their Committees do not reflect the current needs of the organization and are only in place because its "always been done that way".
- The process for selecting Committee members is considered appropriate by 66% of Board members and 73% of senior management.
- About half of Board members (55%) are satisfied with the training provided to them in regards to the work of their Committee.
- 83% of Board members and senior management indicate that the mandate and authority of each Committee has been clearly articulated and is reviewed periodically.
- 10% of Board members and 18% of senior management indicated concern about confusion existing between the authority of the Board and the authority of the Committees; 75% of Board members and 70% senior management had no such concern. In 1998, both Board members and senior management expressed slightly higher concern.
- There is an appropriate relationship between Committees and the staff of the organization, according to 78% of Board members and 77% of senior management.
- A total of 97 comments and suggestions were provided with respect to Board Committees from 18% of Board members and 14% of senior management. The most frequent comments (in descending frequency) were with respect to:
  - Need for orientation and training of Committee members;
  - Committees having too much authority (especially Executive Committees);
  - Satisfaction with Committees; and
  - Need for review of Committees.

Committee Structure



Leading practices call for Committees to operate under a written Charter, or Terms of Reference, that clearly articulates the role, composition and specific responsibilities that the Committee will perform, as well as any authorities that will be delegated to the Committee. A comprehensive and well-articulated Charter is a key contributor to developing effective relationships for the Committee, as it ensures that all parties (the Board, senior management, staff, and other stakeholders) are clear on the role the Committee will play in the Board's governance process, as well as the expectations and assurance that can be placed on the Committee. The Charter should be reviewed on a periodic basis to ensure that it accurately reflects the current context and functioning of the Committee.

"Committee limited to reports from [staff]. Little interaction, input from members."
Survey Respondent

The Board should take time to review the functioning of Committees and ensure it is adequately addressing their requirements. Committee meetings should be scheduled to reflect the actual requirements of the Committee's work, not just scheduled on a monthly basis because other Committees meet monthly; otherwise Committee work can become little more than low-value busy work or even, too operational. Further, Committee meetings should be scheduled far enough in advance of full Board meetings, so that any pertinent information can be provided to the Board in their pre-meeting packages. Annual evaluation of the performance of each Committee can be a useful tool in facilitating any required improvements to Committee functioning.

"As a Board with members from all over the province, committee meetings are sometimes/ usually held an hour or so before Board meetings. This hampers committee effectiveness."
Survey Respondent

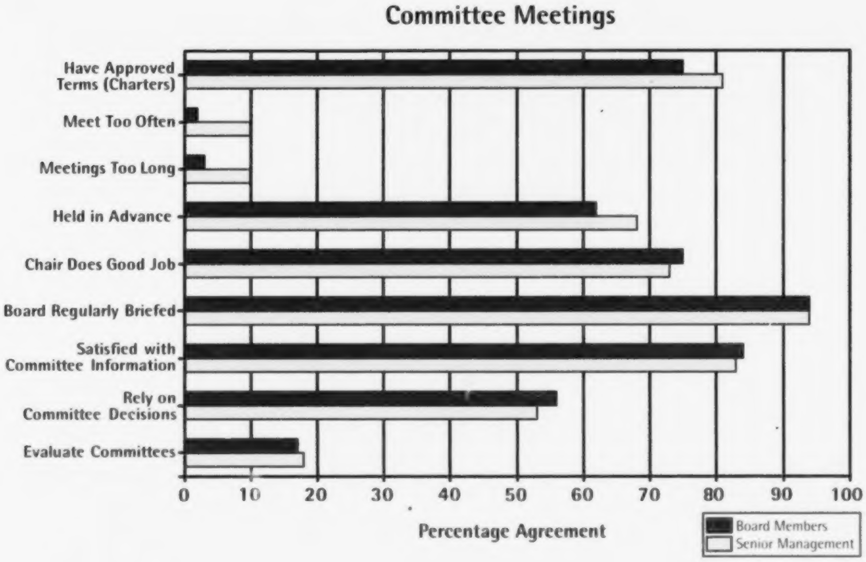
As the Board of Directors can never delegate their overall accountability to a Committee, care must be taken to not over-rely on Committees for decision making, and the Board should never simply rubber-stamp the decisions of Committees. All Board members must ensure they understand and accept the recommendations of the Committee before approving any decisions. Also, whether or not a Board member serves on a Committee, they are responsible for knowing and understanding the role and functions of all Committees established by the Board. Their responsibility and liability for decisions is not lessened because they do not serve on that Committee.

"Committees usually skim over the issues they are given to handle."
Survey Respondent

Survey Results

- 75% of Board members and 81% of senior management noted that all Committees have Charters or terms of references that have been approved by the Board.
- Most Board members (84%) and senior management (69%) do not feel that their Committees meet too often; very few Board members (2%) and senior management (10%) felt they did. Further, very few Board members (3%) and senior management (10%) report that meetings of Committees are overly long.
- Committee meetings are held far enough in advance of Board meetings, according to 62% of Board members and 68% of senior management. Given that about a quarter of respondents were neutral and about 1 in 10 expressed concern in this area, there is indication that some improvements can be made.
- Committee Chairpersons are doing a good job of facilitating meetings and ensuring the Committee's duties are fulfilled, according to 75% of Board members and 73% of senior management.
- 94% of both Board members and senior management indicate that the Board is regularly briefed on Committee matters, and the majority of Board members (84%) and senior management (83%) are satisfied with the information received from the Committees.

- 56% of Board members and 53% of senior management indicated that the Board relies on the decisions of its Committee and does not often revisit those issues.
- 17% of Board members and 18% of senior management indicated that their Boards conduct a formal evaluation of the performance of each of their Committees; the majority of Board members (55%) and senior management (67%) indicated such evaluations do not occur.



2.5.1 Audit Committees

While much of the governance literature on Audit Committees is focused on the private sector, establishing an effective Audit Committee is just as important to the governance oversight by Boards of public sector organizations. Transparency of disclosure and integrity of financial reporting are factors that significantly affect the public's trust and confidence in public sector organizations, and no public sector organization can afford suspicions about the quality of its financial reporting or accounting processes. While in the past Audit Committees were often underutilized and perfunctory, Audit Committees today are widely recognized as a key component of the Board's oversight process and have significant governance responsibilities related not merely to financial reporting, internal control, and management of financial risks, but also to the oversight of the organization's values and ethics, and the quality of its overall performance reporting to the public.

"Our organization's finances are very well run and we receive clean audits as a matter of course. Sometimes it becomes somewhat perfunctory with little need for Board input."
Survey Respondent

Leading practices suggest that Audit Committees be established to assist the Board in fulfilling key financial oversight responsibilities, including the monitoring of accounting and financial reporting; internal and external auditing; organizational practices related to internal control; and compliance with laws, regulations, funding agreements, and any internal codes of conduct. Audit Committee members must therefore have, and be seen to have, the independence and courage to ask the tough questions and hold both senior management and the auditors, whether external or internal, accountable for fulfilling their responsibilities. The issue of ensuring independent Audit Committee members is frequently discussed in the private sector literature, as private sector Boards of Directors can be comprised of non-independent members such as senior management personnel or family members. As previously discussed, this is less of an issue in the public sector, so selection of Audit Committee members is more straightforward with respect to independence.

The effectiveness of an Audit Committee in performing its responsibilities is affected by the financial literacy and expertise of its members. Although it is not necessary for all members of an Audit Committee to be financial experts, leading practices recommend that at least one member possess accounting or related financial management expertise, and that all Audit Committee members be financially-literate. If not all Audit Committee members have financial literacy skills, some financial training should be provided. Further, the Committee should consider the possibility of engaging the services of outside financial expertise, if required.

Financial Literacy: *"signifies the ability to read and understand fundamental financial statements, including a company's balance sheet, income statement, and a cash flow statement."*
Financial Management Expertise: *"is demonstrated by past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a CEO or other senior officer with financial oversight responsibilities."*

The Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees

"Theoretically, we approve and monitor these things – but really we ask very few questions and are not really expert in this field."
Survey Respondent

Audit Committees should operate under an approved Charter which documents the purpose and scope of the Audit Committee's responsibilities and processes. The Charter should also outline the Audit Committee's structural components, including items such as the composition of the Audit Committee, membership qualifications, frequency of meetings, and the process for appointment of an Audit Committee Chairperson. The Audit Committee Chair should not be the same individual as the Board Chair. On some Boards, the Board Chair is an *ex-officio* member of the Audit Committee so that they can choose to attend Audit Committee meetings, as required. The Audit Committee Charter for each organization may differ, based on their unique circumstances. It should be reviewed by the Board on a periodic basis (usually annually) to ensure that it continues to reflect the requirements of the Board and the operating context of the organization. The Charter also acts as the basis for evaluations of the Audit Committee's performance, which should be conducted on a periodic basis.

"We hardly ever ask questions. The reports are detailed and [management] *is very competent but the Audit Committee and Board do not provide much analysis and leadership."*
Survey Respondent

For a more complete discussion of the role and functioning of Audit Committees in a public sector environment, refer to our Office's 2006 report entitled, *Enhancing Audit Committee Practices in the Public Sector*(12), which outlines a number of attributes that should be considered in reviewing the effectiveness of Audit Committees.

Survey Results

- 57% of Board members and 63% of senior management indicated they have established a stand-alone Audit Committee. 15% of Board members and 19% of senior management, indicated they have combined their Audit Committee with another Board Committee, usually the Finance Committee.

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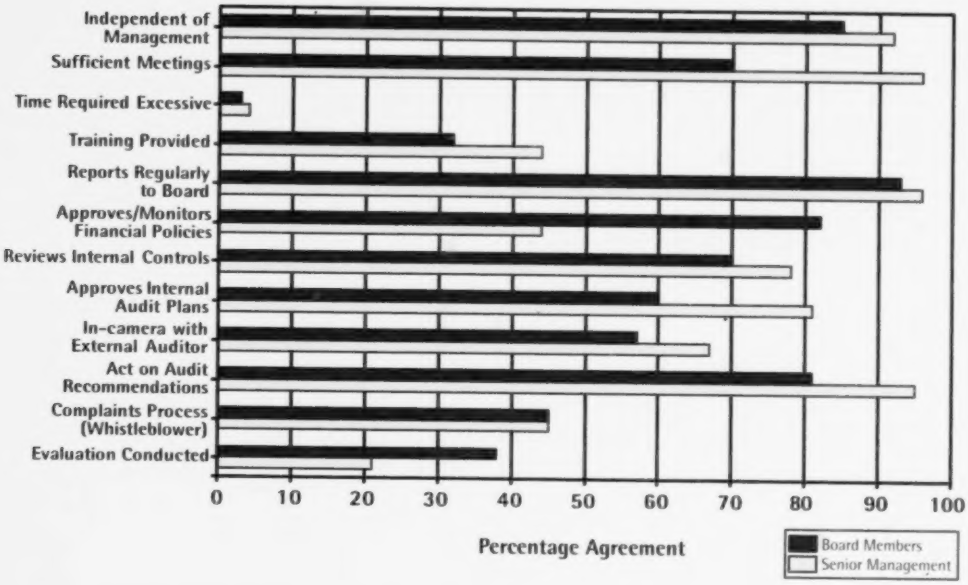
(12) *Enhancing Audit Committee Practices in the Public Sector*, October 2006. www.oag.mb.ca

- Audit Committees on average have 4-5 members, with the range reported to be 2 to 14 members. When asked how many members have financial expertise, the responses ranged from none to 5, with the average being 1.6 members. 15% of Board members and 25% of senior management indicated that their Audit Committees have no members with financial expertise.
- Most Audit Committees indicated they meet quarterly (43%); with monthly meetings being the next most common (20%).
- Audit Committee members are appropriately independent of the CEO and senior management team, according to 85% of Board members and 92% of senior management.
- Audit Committee meetings are sufficient in length to adequately fulfill its responsibilities, according to 70% of Board members and 96% of senior management.
- Very few Board members (3%) and senior management (4%) felt the time commitment required to fulfill all Audit Committee activities to be excessive; most Board members (60%) and senior management (86%) did not.
- 32% of Board members and 44% of senior management indicated that orientation and training is provided to Audit Committee members.
- The Audit Committee reports regularly to the Board, according to 93% of Board members and 96% of senior management.
- The Audit Committee approves and monitors policies for financial reporting, according to 82% of Board members. However, only 44% of senior management agreed; 38% indicated that approval and monitoring of such policies does not occur.
- The Audit Committee reviews management's framework for internal control, according to 70% of Board members and 78% of senior management.
- If an internal audit function exists, the Audit Committee approves the Internal Auditor's annual workplan and reviews the scopes of its audits, according to 60% of Board members and 81% of senior management.
- The Audit Committee routinely meets with the external auditor without management present, according to 57% of Board members and 67% of senior management.
- The Audit Committee holds management accountable to act on the recommendations of audit reports (both external and internal), according to 81% of Board members and 95% of senior management.
- Less than half of both Board members and senior management (45%) indicated the Audit Committee has established a process to receive and investigate complaints, such as a Whistleblower policy. Just as many senior management (44%) indicated such a policy does not exist, while Board members were more likely to report they do not know whether such a policy exists (38%).
- The Audit Committee conducts a formal evaluation of its performance in fulfilling its mandate, according to 38% of Board members and 21% of senior management. The majority of senior management (56%) indicated that such evaluations do not occur.
- A total of 122 comments and suggestions were provided with respect to Audit Committee by 21% of Board members and 27% of senior management. The most frequent comments (in descending order) were with respect to:
    - Having a lack of knowledge about the Audit Committee and its functions;
    - Having a combined Audit Committee and Finance Committee;

- Members not asking enough questions or being too passive; and
- More training and expertise required on Audit Committee.

Audit Committees



One key area of confusion for Board members seems to be the distinction between the role of a Finance Committee and that of an Audit Committee. Each Committee carries distinct responsibilities and fulfills quite different governance functions on behalf of the Board. A Finance Committee generally focuses its attention on budgeting processes, financial variances, and approving any strategies, policies or actions related to corporate finance, such as investments, and capital expenditures. In contrast, the Audit Committee focuses its attention on the integrity of the organization's public financial reporting to all stakeholders, as well as the adequacy of the internal control processes, and the oversight of the organization's values and ethics. The Audit Committee provides a more independent perspective and must carry out its responsibilities in a manner that maintains independence from management and avoids any situations that may impair its objectivity in performing its oversight duties. While some Boards may choose to combine these two separate functions in one Committee, the distinctive roles should be clearly understood by all members and they must ensure they are fulfilling the functions of each. This can be done through designating specific meetings each year to be solely devoted to Audit Committee functions and held separately from Finance Committee meetings.

"Our finance and audit committee are 'one' - I'm not sure if this is a 'good' thing."
Survey Respondent

"With a small Board, our full Board acts as the Audit Committee."
Survey Respondent

We reviewed whether the organization's size correlated with whether an Audit Committee existed or not. We found that for our sample of 50 organizations, the large majority of those with revenues over $100 million (88%) have established a separate Audit Committee. We recognize the challenge for smaller organizations to have separate Audit Committees, and thus we were pleased to note that 60% of organizations with revenues less than $2 million did have a separate Audit Committee, and organizations in the $2-10

"I don't think members of the Audit/Finance Committee fully understand the impact of their decisions and 'take management for granted' on the figures presented."
Survey Respondent

million size range were also highly likely to have an Audit Committee. We noted that organizations in the $50-100 million size range were least likely to have a separate Audit Committee.

Size of Organization	Audit Committee (separate)	Audit Committee (combined)	No Audit Committee
Greater than $100 million	15 (88%)	2 (12%)	-
$50 - $100 million	2 (33%)	3 (50%)	1 (17%)
$10 - $50 million	6 (60%)	2 (20%)	2 (20%)
$2 - $10 million	9 (75%)	3 (25%)	-
Less than $2 million	3 (60%)	-	2 (40%)

Our Observations

- *Clarity with respect to the roles and functions of Committees could be improved. A Board member's responsibility and liability for decisions is not lessened because they do not serve on a particular Committee, so they must ensure they understand the role and functions of all Committees established by the Board. Of concern to us was how many Board members noted that because they do not serve on the Audit or Finance Committee, they do not know how it functions or what activities it fulfills; they simply rely on the Committee's work when approving financial matters.*
- *As only half of Board members are satisfied, there is some indication that training related to Committee work could be improved. Especially with respect to Audit Committees, we noted that many Boards do not provide orientation and training to members.*
- *In comparison to our 2006 report on Audit Committees which found that 22% of Boards had established a separate Audit Committee and 34% had a combined Audit Committee, we were pleased to note that the majority of Board members (57%) and senior management (63%) indicated their Board had established a separate Audit Committee, with a further 15% and 19% respectively indicating they have combined their Audit Committee with another Board Committee. Given all the requirements of an Audit Committee, the time commitment required to fulfil all Audit Committee activities may be considered excessive; however this sentiment was not reflected by the Boards in our study, as very few perceived the time required to be excessive.*

2.6 Board Culture and Team Dynamics

Board culture is often defined as the capacity of Board members to work well together in order to advance the aim and goals of the organization. An appropriate Board culture is one in which all Board members feel free to participate, contribute, and challenge assumptions without hesitation, and where conflicts are resolved in a timely manner. Good teamwork and positive working relationships that highlight a willingness to engage in discussion and debate, to ask and receive answers to tough questions, and to take an opposing view when required, reflect a Board culture that contributes to effective governance.

It has been argued that what makes Boards great are not rules, regulations and mandates but simply how well people work together.[13] As such, the importance of Board culture and team dynamics cannot be overstated. It has been noted in some reviews of the well-publicized corporate failures of recent years that the governance issues experienced were as much, if not more so, a result of a dysfunctional corporate and Board culture, as opposed to structural issues. Our past governance reviews have also noted that poor governance is often a result of how the Board works with each other and with management, not due to a structural issue such as its By-laws or the number of Board members.

"We work in extreme harmony and are able to express our views freely. Our views are many which is a good thing."
Survey Respondent

"Some Board members are too respectful or quiet or unprepared to fully contribute to discussion and debate."
Survey Respondent

While the structural components of governance are a necessary and important foundation for the Board, they are not, in and of themselves, the determinant of good governance. Ultimately, good governance is not a compliance-based process. A Board can have all the structural components of governance in place (By-laws, approved policies, adequate Committees, etcetera) and yet still not be providing effective governance of their organization. A private sector study of Board effectiveness found that *"indeed, board dynamics may be the single most important factor in determining the effectiveness of the board in carrying out its duties of overseeing management in the best interests of the corporation".*[14] Yet, it is interesting to note that many of the evaluations for Board effectiveness are focused most heavily on structural components, rather than Board culture or team dynamics, and as a result, many of the so-called solutions suggested for Boards experiencing difficulties are of a structural nature.

Challenge is *"trying to get thoughtful discussion to take place. Come to think of it maybe just discussion – it doesn't have to be thoughtful."*
Survey Respondent

The human interaction and social aspect of governance is extremely important and can contribute greatly to Board effectiveness. Time spent developing the Board into a cohesive and collegial group (a team) is very important, and serves to improve the participation of all Board members within the meetings. Trust in relationships is essential to ensure people are free to express their opinions without being subjected to personal criticism, blame or censure.

"Most Board members seem hesitant to question, clarify and discuss for fear of being considered negative."
Survey Respondent

Board members must recognize that they are appointed to a public sector Board to contribute on behalf of their fellow citizens. The level of participation by all should be extremely high. It is a common mistake to consider someone to be a good team-player if they are quiet, respectful, and agreeable. This is not the case on a Board of Directors.

"Too many useless people appointed to Boards who do not add value, they don't speak up or share opinions."
Survey Respondent

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(13) Sonnenfeld, Jeffrey A., *What Makes Great Boards Great*, Harvard Business Review, September 2002.

(14) Leblanc, Richard and James Gillies, *Inside the Boardroom: How Boards Really Work and The Coming Revolution in Corporate Governance*, 2005, p.248.

"It takes a lot of confidence to ask questions and debate on the Board. Most Board members seem to just agree with the CEO... need less of this and more input, discussion, critical analysis on the part of most Board members."

Survey Respondent

While it is true that a Board member who is constantly disagreeing or overly aggressive is highly dysfunctional to a Board, it cannot be forgotten that a member who never contributes or adds to the discussion is just as ineffective and dysfunctional to the overall effectiveness of the Board. While neither situation is appropriate for good governance of the organization, an overly passive Board is even more likely to be providing ineffective governance oversight, than an overly aggressive Board. Training in team dynamics and how to appropriately hold the organization accountable is required for both of these types of Boards.

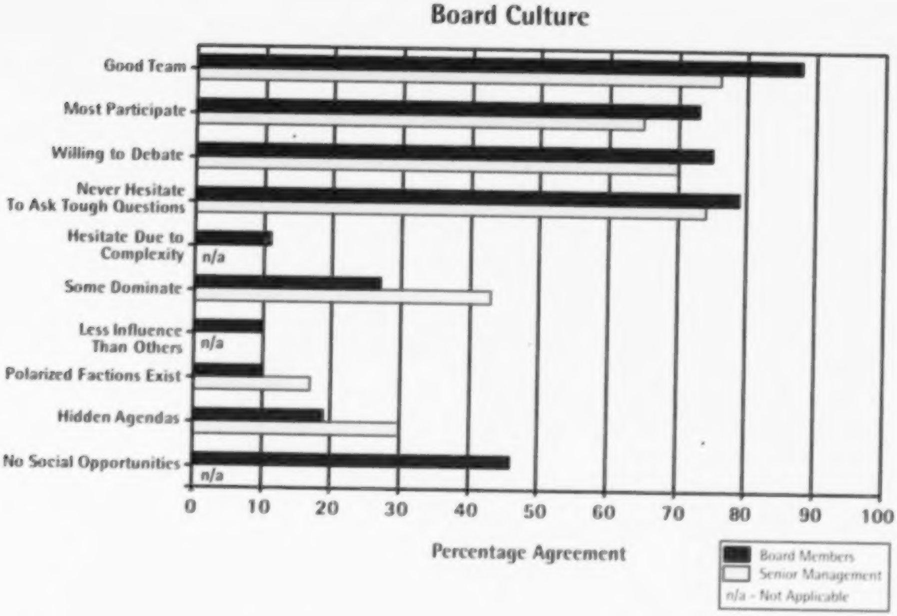
Studies show that it is a mistake to assume all Board members will automatically work well as a team. This is often not the case. Board members do not always know each other or the skills that each individual may bring to the table, hence providing a brief biography of all Board members should be included in any orientation packages. Also, socializing and having an opportunity to get to know each other outside of the official business of the Board meeting is a valuable contributor to enhancing the team dynamic of the Board. The opportunity for such social interaction can serve to enhance the respect, trust, openness, and willingness to actively listen and understand alternative views that will occur during formal Board discussions. The improvement in the team culture and social aspects of the Board's functioning is also a positive outcome of holding training workshops; board retreats and strategic planning sessions; and/or sharing meals prior to or after the meeting.

"More time [needed] for social interaction to get to know the rest of the Board."

Survey Respondent

Survey Results

- 83% of Board members and 76% of senior management report that overall their Board works well together as a team. This is slightly lower than in 1998, when 92% of Board members and 84% of senior management reported good teamwork.
- When asked if most Board members participate in the discussion at meetings, 73% of Board members and 65% of senior management believe that they do.
- There is a willingness around the Board table to engage in rigorous debate, according to 75% of Board members and 70% of senior management.
- 79% of Board members and 74% of senior management indicate that the Board never hesitates to ask the tough questions.
- Further, most Board members (83%) report they are not intimidated by the complex nature of the issues the Board deals with, and will not hesitate to ask questions; few Board members (11%) indicated that they sometimes hesitate to ask questions for this reason.
- 27% of Board members and almost half of senior management (43%) feel that there are members who dominate the discussion at Board meetings. Even so, few Board members (10%) feel they have less influence over Board decisions than do other Board members; the majority(74%) do not perceive this to be an issue.
- While having polarized factions does not exist for most Board members (70%) and senior management (63%), it is an issue for 10% of Board members and 17% of senior management. Further, 19% of Board members and 30% of senior management feel that there are some Board members with hidden agendas.
- The Board does not have many opportunities to know each other outside of Board meetings according to almost half of Board members (46%).



The fundamental tenet of the Board form of governance is that a group of individuals will bring their diverse experiences, values, and viewpoints to the decision making process, and through discussion and debate of those perspectives, the Board will reach an informed and well-considered decision for the organization. As such, having conflicting positions are a natural part of Board governance, and the Board's processes and ability to resolve conflict is a major element to ensuring effective governance.

Board members must feel free to express contrary opinions when they arise, and the Board must adopt practices to adequately resolve such conflicts. Once a decision is made, Board members must be able to set aside any differences and assume collective responsibility for the decision. Boards that are unable to do so may become dysfunctional. Such Boards commonly have issues with members who may try to "lobby" their personal agendas either overtly or covertly, and/or create opposing factions who make decision making difficult. Equally, a Board that is too congenial, does not debate issues, or does not have any conflicting or contrary opinions may be just as dysfunctional. Often, such a Board simply acts as a rubber-stamp to management's proposals and recommendations.

Diversity of thought is a crucial element to healthy Board dynamics. Boards need to foster an atmosphere of openness and candour, based on trust. The positive interrelationships and social cohesion on a Board that promotes consensus can become detrimental if it leads to 'groupthink' whereby uncomfortable discussions are avoided and divergent opinions are not welcomed. When Board members and management trust each other, speaking out candidly can occur without a sense of confrontation, and the Board can disagree openly without jeopardizing consensus, nor denigrating personal relationships.

Some Boards place an overly strong emphasis on achieving unanimous approval for all Board decisions. While achieving consensus is an important and worthy goal, insistence

"Many times it is ONLY through 'opposing' viewpoints that decisions can be made at all, as debate provides the real context of difficult issues."

Survey Respondent

"People are scared to speak out against the majority."

Survey Respondent

"The position of the Chair and CEO is that our Board should be presented with information and decisions, and we should simply concur with all decisions made by staff... Efforts to ask questions, participate in thorough discussion, or seek information to validate (internally or externally) are frowned upon."

Survey Respondent

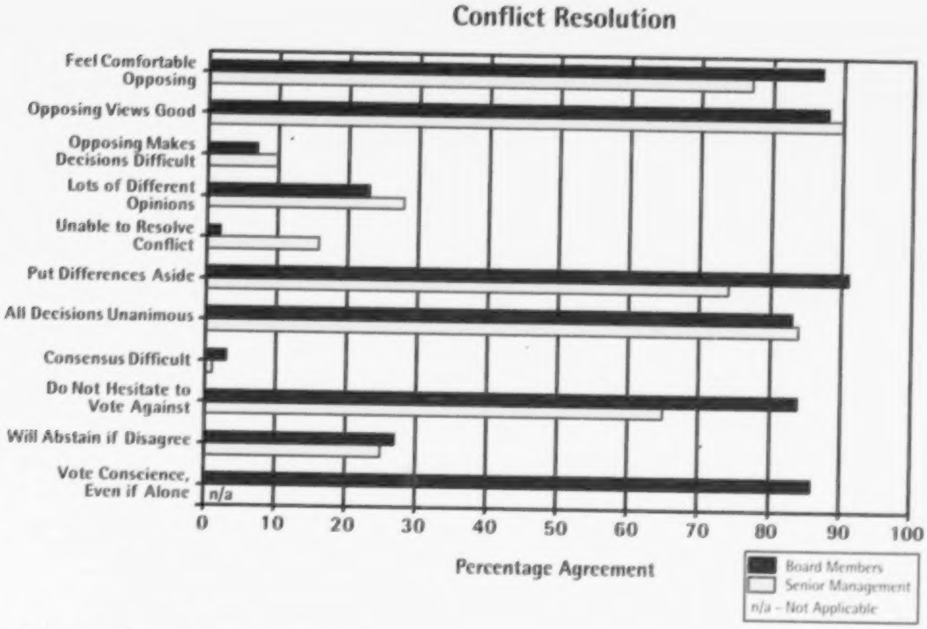
"Often a nay vote is never asked for before moving on."
Survey Respondent

"I feel I should do this [vote against], but do not feel free to do so, even after my position has been made clear."
Survey Respondent

on unanimous decisions could potentially create an environment where independent opinion is silenced. A Board of Directors by definition brings together disparate viewpoints and will, on occasion, even after thorough discussion of issues, find that viewpoints may not align. Board members should never feel that they are overly pressured to agree or consent to a decision. If a Board member disagrees with a decision, they should feel free to express their dissension and vote against a decision and have that vote recorded, if desired. This should not be perceived as taking away from the effectiveness nor appropriate functioning of the Board. Lack of unanimity should also never denigrate the team cohesiveness of the Board.

Survey Results

- The majority of Board members (87%) indicated they feel comfortable taking an opposing view from others at a Board meeting; 77% of senior management agreed. This is slightly lower than in 1998 when 93% of Board members and 88% of senior management indicated Board members were comfortable taking an opposing view.
- 88% of Board members and 90% of senior management agreed that having opposing views on the Board enhances the discussion and contributes to the decisions made by the Board.
- Few Board members (7%) and senior management (10%) felt that having such opposing viewpoints makes decisions difficult for the Board; the majority indicated it does not (82% of Board members and 74% of senior management).
- Yet, only 23% of Board members and 28% of senior management reported that there are often a lot of differences of opinions; most indicated that this is not the case (44% of Board members and 47% of senior management).
- Very few Board members (2%) felt that the Board is unable to resolve conflicting positions; the vast majority of Board members (87%) did not perceive this to be an issue. However senior management was less confident with 16% saying the Board is unable to resolve conflicts.
- Once a decision is made, the Board puts aside any differences and assumes collective responsibility for the decision according to 91% of Board members, but noticeably less senior management (74%).
- 83% of Board members and 84% of senior management indicated that almost all Board decisions are approved unanimously, and very few Board members (3%) and senior management (1%) reported that the Board has a difficult time reaching consensus on a decision.
- Yet, most Board members (84%) indicated they do not hesitate to vote against a motion or proposal that they disagree with. Less senior management (65%) agreed that this lack of hesitation to vote against a motion exists.
- 27% of Board members reported that they will abstain from a decision they disagree with; most (61%) indicated they would not.
- 86% of Board members told us that at the end of the day, they always vote their conscience on an issue, even if it means standing alone.



2.6.1 Role of Chairperson

The Board's Chairperson plays an important role in setting the tone for Board meetings and ensuring that the appropriate processes are followed. An effective Chair plays the lead role in facilitating the discussion of the Board and ensuring efficient and effective meetings which respect the time commitment made by Board members. It is incumbent on the Chair to ensure that discussions are productive, and that a professional tone and respectful interpersonal relationships are maintained throughout the meeting. The onus also rests with the Chair to ensure that discussions are thorough and that all viewpoints are solicited and considered.

"I think Chair should ask silent members their opinions...to get them involved. Often certain people tend to dominate, so this would be a good idea!"

Survey Respondent

As was noted previously, the team dynamics of the Board and how people work together greatly impact the overall effectiveness of the Board and the effectiveness of the Chair can influence this aspect more so than any other individual on the Board. *"There is no doubt that the leadership skills of the Chair of the Board are the most important factor in assuring effective board processes and decision-making, and in determining the overall effectiveness of the board of directors."*[15] While the Chair must be a strong leader, the Chair must also be careful to not be perceived as overly directive with fellow Board members or overly intrusive in the organization.

"I have been on the Board for a year and there are some members that I haven't heard talk once. The Chair should be sure to obtain the opinion of these members."

Survey Respondent

The Board Chair should not be, nor be perceived to be, overly tied to or influenced by management. Governance literature is more and more recognizing the need to separate the position of Chair from that of the CEO, due to the inherent conflict between the roles. These are two very distinct roles which should likely not rest in the same person. In situations where this is not possible, leading practices suggest that an independent

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(15) Ibid.

"The Chair of the Board is completely under the thumb of the CEO and will not question any decisions made!"
Survey Respondent

Lead Director be appointed to monitor governance functioning and to act as Chair when required (e.g., during *in-camera* sessions). It is not as common in a public sector environment for the Chair to be the same person as the CEO of the organization; there is only one instance of such a situation in our sample of 50 organizations.

The Board Chair is often expected to communicate on behalf of the organization, both publicly and with all external stakeholders including government. In the public sector context, the Board Chair often acts as the main liaison with government, and serves as *"the 'bridge' between government policy...and the organization's business objectives"*(16), so must maintain a strong working relationship with the Minister and other Department officials. An effective public sector Board Chair understands the public sector context and is sensitive to the government's political positions when making decisions at the Board level that may affect or impact government priorities. In our discussions with Ministers, almost all noted a strong working relationship and good communication with the Chairs of the Boards that are accountable to them.

Survey Results

- The Chairs of these public sector Boards are doing a good job of facilitating meetings, according to 91% of Board members and 86% of senior management.
- The Chair sets a professional business and ethical tone according to 94% of both Board members and senior management, and the Chair ensures that the business of the Board is being appropriately conducted, according to 93% of Board members and 91% of senior management.
- The Chair helps to build cohesiveness within the Board, according to 83% of Board members and 79% of senior management. Further, 77% of Board members indicated the Chair asks for clarification of positions in order to ensure understanding; 80% of senior management agreed.
- However, less than half of Board members (43%) and senior management (49%) reported that the Chair probes silent members for their opinions on key issues.
- The Chair does a good job of resolving conflict and achieving consensus on the Board, according to 77% of Board members and 82% of senior management. This is done publicly, as very few Board members and senior management (8%) indicated that the Chair prefers that disagreements are discussed with them privately prior to the Board meeting.
- The Chair is a strong leader, but not overly powerful or intrusive, according to 85% of Board members and 77% of senior management.
- Most Board members (69%) do not feel that the Chair is overly influenced by management; however 15% indicated that this was a concern.

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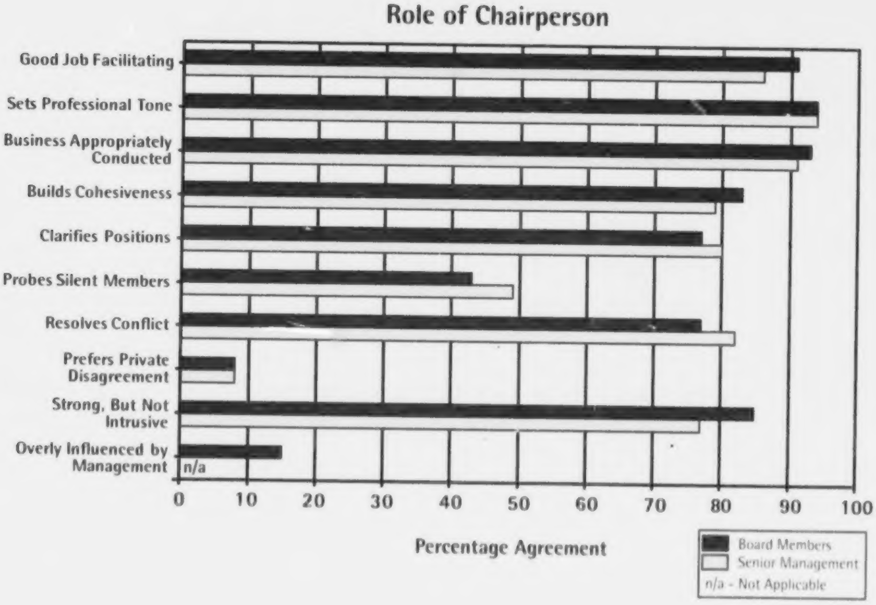
(16) Canadian Institute of Chartered Accountants, *20 Questions Directors Should Ask about Crown Corporation Governance*, 2007. www.cica.ca



When asked what improvements overall could be made to the Board's meetings, 21% of Board members and 14% of senior management provided a total of 137 suggestions. The most frequent comments (in descending frequency) were:

- Board members are too quiet, or too hesitant and fearful to ask questions;
- Need to hold more meetings;
- Appointment process too slow/vacancies are an issue;
- Travel time to attend meetings an issue;
- *In-camera* meetings should be used;
- Need for more training/steep learning curve;
- Members who represent special interests are an issue; and
- Clarification of mandate and expectations from Minister required.

2.6.2 Ethics, Values and Tone at the Top

Board members must conduct themselves in accordance with the highest standards of behaviour, and recognize their position as a role model for all others in the organization. As a Board member appointed to a public sector organization, an individual serves in a position of trust. Essential to trust and ethical conduct is a commitment to honesty, integrity, and full compliance with both the letter and spirit of all applicable laws. A Board can never delegate ethics; nor can there ever be two sets of ethical standards - one for the Board and/or executive management, and one for all other employees.

Organizations that support ethical behaviour tend to have strong ethics regimes in place that include formal statements of values, codes of conduct, ethics guidelines, and conflict of interest policies. As is noted in almost all governance literature, the ethical standards of the Board and senior management constitutes the "tone at the top" and the importance of this concept should not be underestimated. Ultimately, regardless of policies put in place, the ethical standards and tone that is utilized at the top of the organization is reflected throughout the entire organization. The Board must take the responsibility for ethical conduct and behaviour by setting an appropriate example, and by also closely monitoring management to ensure their actions reflect the ethical behaviour and tone set by the Board.

"Our Board works respectfully and with integrity."
Survey Respondent

Public sector organizations are expected to achieve their objectives and conduct their business in a manner that is consistent with public sector values and ethics. In the public sector, it is not just results which matter, but the way in which those results are achieved also matters. Values are especially important in a public sector context, and must reflect a commitment to upholding the public's trust in the organization and to the use of public funds in an ethical and transparent manner. Public sector values include integrity, equity, effectiveness, transparency, and prudence.

Given that public sector organizations are given the privilege of utilizing public monies, the standards of ethical behaviour are unavoidably high. In many cases, Board members are judged by the public with the same high ethical standards that are expected of those holding public office. This affects many different aspects of the organization, from rules and operating procedures which may have higher levels of control and formalities, to policies and practices, such as following appropriate human resources policies and progressive sustainable environment practices. Just as employees within public sector organizations are expected to act with integrity and honesty, be free from conflicts of interest, and comply with the law and organizational policies; so too must Board members.

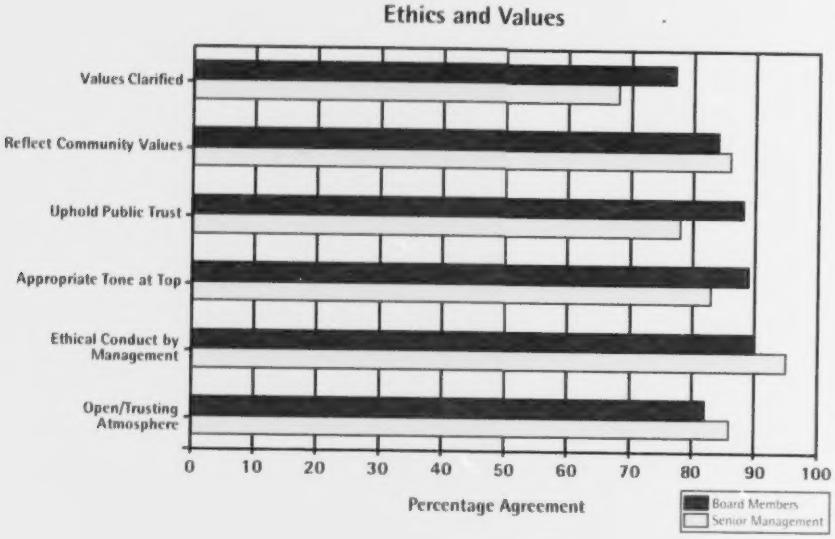
A hallmark of good governance is the development of shared values that become part of the organization's culture, underpinning policy and behaviour throughout the organization. Values reflect our deeply held beliefs, and the principles upon which we base our behaviour and interactions; it is our way of seeing the world, and the way in which we assign worth. At an organizational level, corporate values help set the tone and corporate culture of the organization, and are often expressed through vision and mission statements, as well as codes of conduct, and conflict of interest procedures.

Values help an organization determine how to carry out its mission and it provides criteria against which to make decisions and judgments. Values therefore can guide a Board's sense of what is needed by the stakeholders represented, and can have an impact on the Board's choices over the courses of action required. Board values are often assumed to be clear, consensually held, and applied within the organization. As this may not always be the case, an effective Board needs a process for identifying and clarifying organizational values, as well as ensuring that the values are linked and applied to organizational behaviour throughout all levels of the organization.

Survey Results

- 77% of Board members and 68% of senior management report that the Board has clarified the values and principles that guide their decisions. This is important given that the large majority of Board members (84%) and senior management (86%) endorsed the belief that Board members are expected to reflect the values and principles of the community on the Board.

- The Board does a good job of upholding the public's trust in the organization, according to 88% of Board members and 78% of senior management.
- Most Board members (89%) and senior management (83%) believe that the actions and conduct of the Board demonstrates high ethical standards and sets an appropriate tone at the top for their organization.
- The actions of senior management are consistent with the stated values and ethical conduct expected of all employees, according to 90% of Board members and 95% of senior management.
- Board members (82%) believe senior management has established an atmosphere of open communication and trust within the organization; 86% of senior management agreed.


Ethics and Values

2.6.3 Conflict of Interest Practices

As leaders of a public sector organization, the Board must act, and be perceived to act, in a manner that does not result in any conflict of interest situations. A conflict of interest is a situation in which someone in a position of trust has professional or personal interests that compete with, or may benefit from, the activities of the organization, and/or when that person utilizes their position to directly or indirectly benefit themselves, friends, or family members.

There are three types of conflicts of interest: perceived conflicts; potential conflicts; and real conflicts. All three are of concern in a public sector organization. The Board and senior management must recognize that the appearance of any perceived or potential conflicts of interest can be just as damaging to a public sector organization as the existence of a real conflict, as it can create an appearance of impropriety that can undermine public confidence in the organization. Board members should avoid any situation in which there is, or even may just appear to be, a conflict which could be seen to interfere with the Board member's judgment in making decisions in the organization's best interests or their ability to fulfill their duties in an impartial manner.

Clear guidelines and processes to deal with conflicts should be in place, and followed consistently to ensure public funds are managed with probity and in good faith. The Board has an obligation to ensure management has proper policies and procedures in place to deal with conflicts of interest and that these policies are clearly communicated to all staff. The Board also has a role to play in ensuring that all such policies are followed by monitoring and providing oversight to any type of conflict of interest situations which may arise with respect to senior management.

"Board needs a conflict of interest policy that is adhered to."
Survey Respondent

Whenever a perceived or actual conflict of interest arises, the Board should take a proactive role to ensure proper controls and oversight of the situation. Board oversight of conflicts of interest situations helps to mitigate any perception of inappropriate or unethical behaviour. While Board members have indicated to us that they sometimes feel uncomfortable in such situations as they do not want to imply they do not trust their senior management team, the Board's oversight of such issues actually serves to protect their CEO and management team from a potentially difficult situation. Most importantly, it assures the Board, as well as all internal and external stakeholders, that no inappropriate activity is occurring.

"Board members should never be allowed to be employees of the organization → major conflict of interest."
Survey Respondent

Leading practices suggest that a specific conflict of interest policy should also be in place for Board members. In some situations, the organization has a conflict of interest policy for employees and often, an assumption is made that the policy applies to Board members as well. However, if such is the case, it should be specifically noted in the policy. Leading practices also suggest that Board members sign conflict of interest declaration forms on an annual basis, not just when they are first appointed to the Board. A Board member's situation can change from year to year and conflicts that may not have been the case when first appointed may arise over the Board member's term of service. Also, the annual review serves as an important reminder of responsibilities with respect to conflicts of interest and ensures clarity by all Board members as to how to mitigate and deal with such situations.

"When appointments are made, more careful consideration should be made to avoid conflict of interest."
Survey Respondent

Regardless of the type and extent of the conflict, those Board members who have a conflict of interest are expected to recuse themselves from decisions where such a conflict exists. This means that the Board member should not participate in any of the discussions on the issue and should abstain from the decision. When faced with such a situation, Board members should remove themselves from the boardroom entirely until after the discussion and decision occurs. Minutes of meetings should clearly disclose the conflict and note that the Board member left that part of the meeting.

While the onus for declaring a conflict of interest rests with the individual, the Chairperson has an extra responsibility to ensure that conflicts are handled appropriately and that the affected Board member is asked to leave the meeting. Other Board members should also raise the issue if this does not occur and/or speak with the Chairperson to ensure conflicts are handled appropriately. As individuals, we might not always recognize that a conflict is perceived to exist by our colleagues. This is where the Chair and other

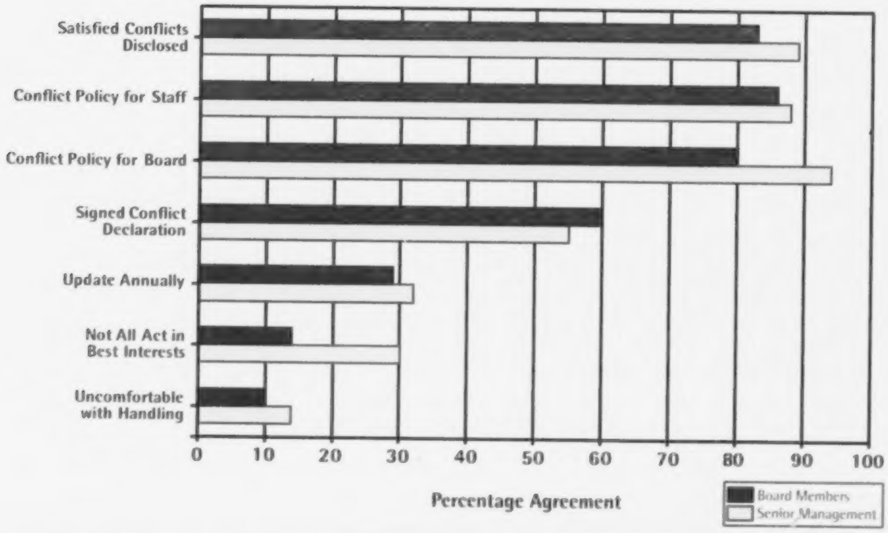
Board members must take the lead to raise the issue. Even if the individual feels that they can remain independent and bring an unconflicted perspective to a decision, the Board should err on the side of caution and act as if the conflict does exist (even if it is only a perceived or potential conflict). If the conflict affects the Chairperson, the Chair should remove themselves and appoint another Board member to act as the Chair (usually the Vice-Chair) to serve in that capacity for that portion of the meeting.

> *"While we have a conflict of interest policy, it is poorly enforced and tends to be applied to some Board members and not others."*
>
> Survey Respondent

Survey Results

- 83% of Board members told us they are satisfied that all conflicts of interest, as well as related party transactions, are disclosed to them in a timely manner; 89% of senior management agreed.
- 86% of Board member and 88% of senior management indicated that a conflict of interest policy exists for the organization and has been clearly communicated to staff.
- 80% of Board members and 94% of senior management indicated that a conflict of interest policy exists for the Board. However, 18% of Board members indicated they do not know if such a policy exists.
- Only 60% of Board members could recall signing a conflict of interest declaration form when they joined the Board; 18% said they did not; 23% did not know. Interestingly, even less senior management (55%) indicated that a conflict of interest form is signed.
- Less than a third of Board members (29%) are required to update and sign the declaration form annually; about a third of senior management (32%) agreed. Most Board members (42%) indicated they are not required to update annually and 29% did not know.
- This is an important issue as 14% of Board members and 30% of senior management told us they are not sure that all Board members are acting in the best interests of the organization.
- Further, 10% of Board members and 14% of senior management indicated that they have on occasion felt uncomfortable with how a conflict of interest was handled by the Board.

Conflict of Interest



Our Observations

- *Given that Board culture is based upon human interaction and interpersonal relationships, more can always be done to improve the team dynamics of a Board. It is a never-ending part of Board functioning as there are always new members and changing circumstances. While Board members reported good teamwork, full participation at meetings by all Board members could be higher, as only about three-quarters of Board members feel most participate; this should be as close to 100% as possible. Further, the open commentary provided by Board members indicated that creating an environment where rigorous discussion occurs and is welcomed can be improved upon. While the large majority of Board members and senior management support having opposing viewpoints as enhancing the quality of decision making, and most reported they feel comfortable opposing, only 23% of Board members and 28% of senior management say that lots of differences of opinion are expressed at the Board, and almost all Board decisions are approved unanimously.*
- *Strong support exists amongst Board members and senior management for the Chairs of these Boards. However, the Chair must take the lead role in improving Board culture and ensuring all members are participating and silent members are heard.*
- *All Boards should ensure that clear conflict of interest policies are in place, and that procedures have been established to address areas where conflicts may arise, so that Board members know how such situations will be addressed prior to a specific issue occurring. All Board members should review and sign a conflict of interest declaration form on an annual basis.*

  FOR GOVERNMENT'S CONSIDERATION: Ministers should discuss conflict of interest issues with their Boards and ensure policies and protocols are in place. Ministers should be aware of the conflict of interest declarations of the Board members appointed to the Crown organizations for which they are responsible. As noted previously, in instances where a Deputy Minister or government official serves on a public sector Board, there should be clear guidelines as to their role and how to deal with conflict of interest situations that could potentially arise.

2.7 Board Role and Functions

All Board members must be clear on what is expected of them, both as individuals and the Board as a collective. First and foremost, Board members are expected to act honestly and in good faith while on the Board, with a view to making decisions that are in the best interests of the organization. In fulfilling their role as a Board member, they are expected to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Board members are expected to not only attend and contribute at meetings, but to be aware and generally informed about all key aspects of the organization and its performance.

Governance literature generally ascribes three primary roles to a Board, each of which has different functions and expectations associated with it:

1. **That of holding overall authority**: As the ultimate authority, a Board provides leadership in setting the vision and strategic direction of the organization, and takes responsibility for monitoring performance and being accountable for the mandate and goals of the organization being achieved.
2. **That of providing feedback and commentary on the functioning of the organization**: As a constructive critic of the organization, a Board examines what is being proposed and monitors what has been accomplished in order to provide feedback and independent perspective on the organization's performance.
3. **That of representing and being an advocate for the organization**: As an advocate, the Board represents, advances, and celebrates the contributions of the organization to its stakeholders and the community.

Boards must fulfill all three of these roles in order to be effective. However, given that each role has different requirements and expectations associated with it, each can require quite different mindsets and behaviours by Board members. As what is required in one role may conflict with another, it is important for a Board to be clear on which role is being performed at any given time. Developing this shared understanding and having clear expectations of the collective role of the Board, as well as of individual Board members, is an essential component to effective governance.

"It is difficult to figure out your role and what you are accountable for."
Survey Respondent

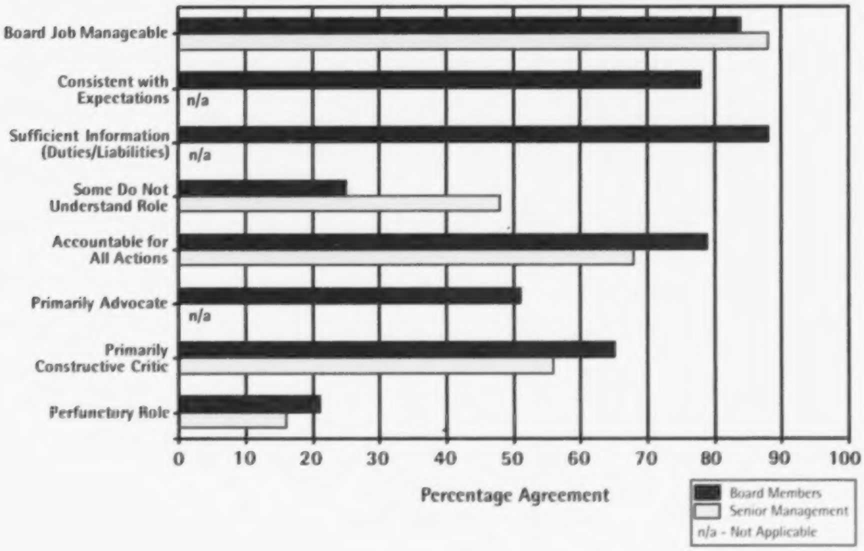
Our past governance reviews have highlighted that lack of role clarity can be an indicator of poor governance. Hence, our survey explored Board members' perceptions of each of their Board roles, in order to ascertain whether the Board roles are clear and whether a balance exists between fulfilling each of the roles. Our 1998 study found that 90% of Board members saw their primary role as being an advocate for the organization. In our 2008 survey, about half of Board members (51%) saw their role as being primarily that of an advocate; this is much improved, although still high. The Board's role in providing 'sober second thought' to the actions of management is a fundamental tenet of the Board form of governance, so a Board that primarily views their role as being a cheerleader for the organization or who hesitates to provide feedback and challenge management's assumptions, may not be providing adequate and rigorous oversight of the organization.

"Lack of clear articulation of Board's role in governing the organization."
Survey Respondent

Survey Results

- Overall, the Board job is perceived to be manageable, according to 84% of Board members and 88% of senior management.
- The majority of Board members (78%) reported that their Board role and responsibilities has been consistent with their expectations at the time they were appointed.
- The majority of Board members (88%) indicated that they have sufficient information as to their duties, responsibilities and potential liabilities as a Board member.
- However, a quarter of Board members (25%) and almost half of senior management (48%) expressed concern that some Board members do not understand their role and responsibilities on the Board.
- Board members accept their accountability for all actions of the organization, with 79% agreement by Board members and 68% by senior management.

- 51% of Board members see their role as primarily being an advocate for the organization. This is significantly lower than our 1998 survey results.
- 65% of Board members and 56% of senior management indicated their primary role is to provide constructive appraisal of the organization's operations.
- Overall, Board members (60%) and senior management (67%) do not perceive the Board's role to be perfunctory. We noted that 21% of Board members and 16% of senior management do feel that the Board's role is perfunctory.



Board Role

Each of the three primary roles of the Board (that of being the ultimate authority; that of being a constructive critic; and that of being an advocate) has a number of functions and activities associated with it. While every Board would have other organization-specific functions, our survey assessed some of the general functions a Board would perform in each role, as outlined below:

> *"We strive for Board accountability while maintaining our strategic objectives and goals."*
> Survey Respondent

As Ultimate Authority

- Setting the strategic direction and goals of the organization.
- Setting the significant policies by which the organization operates.
- Selecting, retaining and as necessary, replacing the CEO of the organization.
- Ensuring government policies, regulations and/or directives are implemented.
- Approving all strategic and/or significant business decisions.
- Ensuring prudent management of the financial resources of the organization.
- Ensuring accountability obligations are discharged.

As Constructive Critic

- Monitoring achievement of the Board's strategic objectives.
- Evaluating the performance of executive management.
- Bringing an external perspective to the organization's attention.

- Ensuring the organization is operating according to policy and within its mandate.
- Ensuring the organization is operating within its financial resources.
- Ensuring effective internal control mechanisms are in place.
- Ensuring effective management information systems are in place.

As Advocate

- Collaborating effectively with external stakeholders and organizations.
- Advocating on behalf of the organization, as required.
- Providing input/advice to the Minister on issues that affect the organization.

Our survey results found that Board members and senior management endorsed most of these functions as important responsibilities of an effective Board. When asked to assess their Board's performance on each of these functions, both Board members and senior management self-assessed a performance gap in almost all functions. That is, they reported that the effectiveness of their Board in performing the function is somewhat less than the importance they accorded to the function. More important than how they assess their own performance on these functions, is the extent of the gap that exists between the importance accorded a function and its performance. If a Board was to improve its governance, it might choose to first focus on enhancing those functions where the largest gap exists between how important the function is and how it is currently being performed.

"I believe that Boards fill an important role. Boards must set policy and direction in accordance with legislation and overall government policy."
Survey Respondent

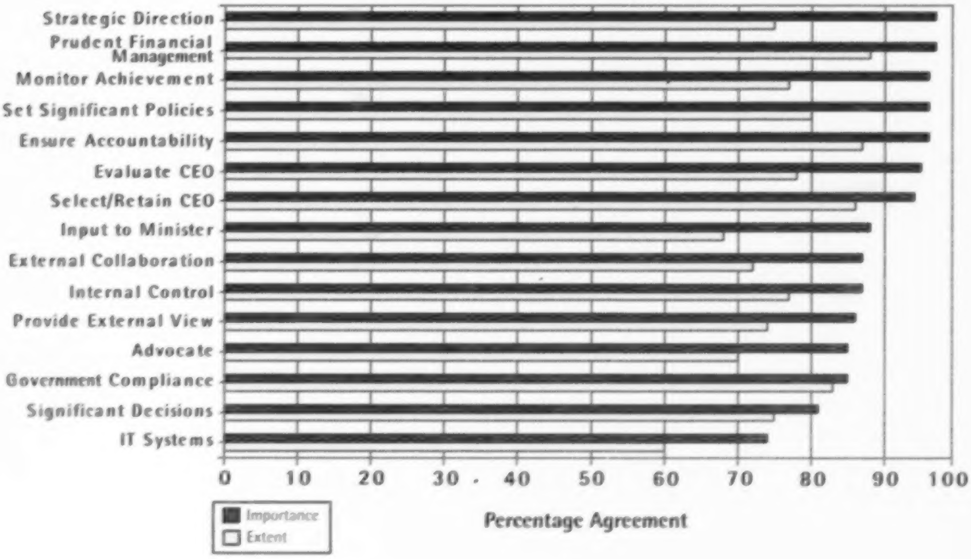
Survey Results

- Only one function received less than 80% agreement by Board members: ensuring effective IT systems are in place (74%). For senior management, two functions received less than 75% agreement: approving all significant business decisions (69%) and ensuring effective IT systems are in place (54%).
- Board members rated their performance highest in: ensuring the financial resources of the organization are managed in a prudent manner (88%); ensuring all accountability obligations are met (87%), and in selecting and retaining the CEO (86%).
- Board members were least satisfied with their performance in: ensuring effective IT systems are in place (60%); providing input/advice to the Minister on issues that affect the organization (68%).
- Senior management had quite a different impression of Board performance than did Board members. They rated their Boards highly in: selecting and retaining the CEO (84%); ensuring financial resources are managed in a prudent manner (79%); and ensuring all accountability obligations are met (76%).
- Senior management rated their Boards performance the lowest in: ensuring effective IT systems are in place (35%); collaborating effectively with external stakeholders and organizations (51%); and providing input/advice to the Minister on issues that affect the organization (56%).
- With respect to where performance gaps exist, Board members noted the largest gaps as: setting strategic direction/priorities for the organization; providing input/advice to the Minister on issues that affect the organization; and monitoring achievement of Board's strategic objectives.
- Senior management assessed performance on most of the functions lower than did Board members. The largest performance gap for senior management existed in:

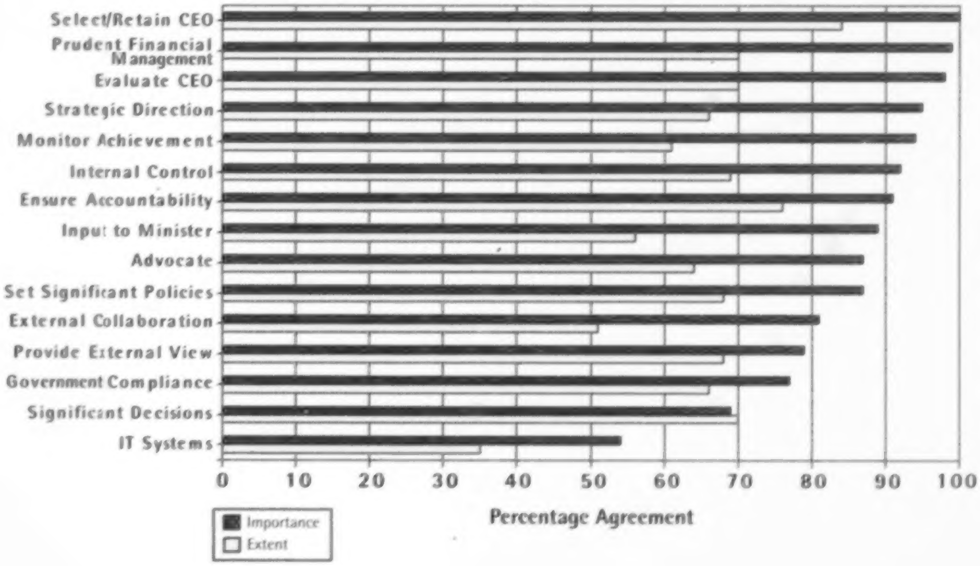
providing input/advice to the Minister on issues that affect the organization, monitoring achievement of strategic objectives; and collaborating effectively with external stakeholders and organization.

- When asked what other functions are important responsibilities of the Board, both Board members and senior management noted a variety of Human Resources activities most often.

Importance vs Performance of Board Functions - Board Members



Importance vs Performance of Board Functions - Management



Each of the Board functions and activities are performed in order to fulfil the Board's overall governance role of providing stewardship, leadership, responsibility and accountability for the organization. As noted previously, difficulties in governance most often occur because a Board has not adequately focused on, or fulfilled either its strategic responsibilities (i.e., its stewardship and leadership functions) or its oversight responsibilities (i.e., its responsibility and accountability functions). In the following sub-sections, we look at a few specific areas of Board activity related to both its strategic responsibilities (providing strategic direction and managing risk), and its oversight responsibilities (especially with respect to financial matters and disclosure).

2.7.1 Setting Strategic Direction

Given the Board's role of holding ultimate authority and in order to fulfil their stewardship and leadership responsibilities as the governing body, the Board must be actively involved in setting the organization's strategic direction. Further, effective governance requires significant time and attention be paid to organizational vision, mission, goals and priorities. Boards of Directors often fulfil this responsibility through their role and involvement in the strategic planning of the organization.

A public sector organization's purpose and goals are generally set forth in the legislative mandate of the organization. These formal goals, as articulated in legislation, prescribed mandates, and even mission statements are often vague and general in nature, and are clarified by a Board as they are discussed, debated, and put into practice. Therefore, debating the strategic direction and goals of the organization, and identifying shared priorities, are two of the key activities that enable a Board to add meaning and clarity to the shared aim. This ensures a shared sense of purpose amongst not only the Board and its management, but with the Minister and ultimately, the public as well. This is important as *"often there is a lack of clear communication between government and the Board, as to the specific direction and objectives of the corporation within the stated mandate."*[17]

"Setting strategic direction within a statutory framework can be a challenge - moving forward prudently within established mandate is different or can be different from private sector Boards."
Survey Respondent

A public sector organization's strategic goals and objectives should be consistent with, and flow logically from, their legislated mandate, vision and mission statements. The Board's discussions to prioritize and clarify organizational goals should occur on a regular basis to ensure they reflect the current needs and context of the organization, as these change over time.

"Board has historically been complacent and has only recently started strategic priority setting."
Survey Respondent

Survey Results

- Board members (82%) indicated their Boards have a clear understanding of their legislated mandate; 74% of senior management agreed.
- As noted previously, almost all Board members and senior management (98%) reported that the goals of their organization are important to them.
- When asked if the Board discusses the goals and mandate of the organization on a regular basis, 68% of Board members said they do; about half (52%) of senior management agreed.

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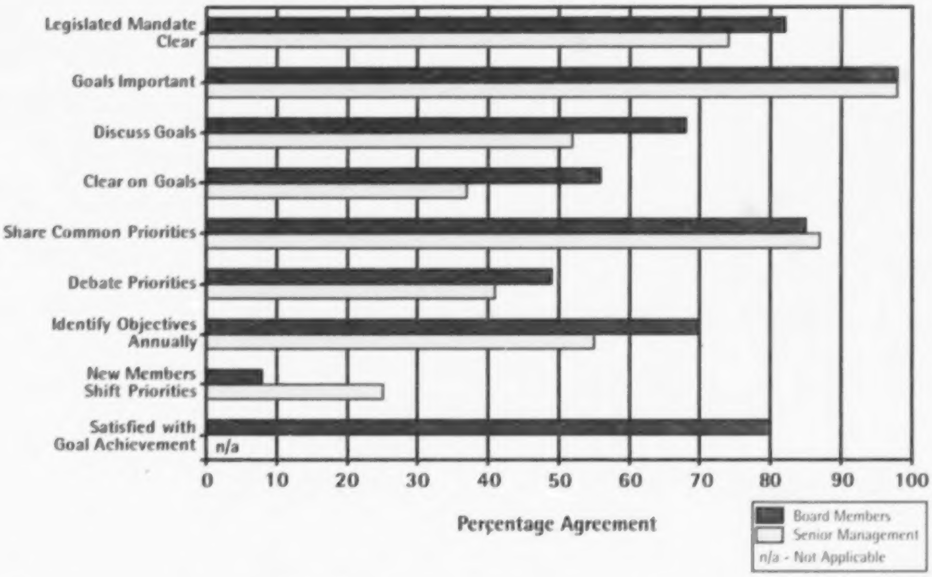
(17) Canadian Institute of Chartered Accountants, *20 Questions Directors Should Ask about Crown Corporation Governance*, 2007. www.cica.ca

- About half of Board members (56%) and even less senior management (37%) indicated that a clear understanding of goals exists amongst Board members. A quarter of Board members (23%) and a third of senior management (34%) felt that some do not clearly understand the goals/mandate of the organization.
- Most Board members (85%) and senior management (87%) indicated that they share a common view of the organization's priorities. Yet, less than half of Board members (49%) and senior management (41%) stated that the Board often debates and deliberates the organization's priorities.
- 70% of Board members indicated the Board annually identifies the specific performance objectives that it expects the organization to achieve, but only half of senior management (55%) agreed that this occurs; 27% of senior management disagreed.
- Changing membership, often a force to shift priorities was not seen to have an impact by 74% of Board members and 65% of senior management. While few Board members (8%) saw this to be an issue, more than a quarter of senior management (28%) felt the Board's priorities shift as a result of new members being appointed.
- Most Board members (80%) indicated they are satisfied overall with the performance of their organization in achieving the goals established by the Board.

Setting Strategic Goals and Priorities



Effective governance requires the Board to be an active participant in the strategic planning process of the organization. This governance function is often considered *"the most important duty of a Board [because] unless it fulfils this duty, a Board will have no touchstone to determine the appropriateness of its actions, the performance of management or the success of the organization itself."*(18) By setting strategic direction and providing their input and feedback from a variety of perspectives and expertise, the Board plays an important role in assisting management in identifying organizational strengths and weaknesses, identifying and mitigating risks, and capitalizing on potential opportunities. The articulation of a documented strategic plan assists in ensuring alignment between Board vision and management priorities, as it allows both Board members and senior management to agree on the priorities which will enable the mandate and mission of the organization to be achieved.

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(18) Final Report of the Panel on Accountability and Governance in the Voluntary Sector (Broadbent Report), *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector*, February 1999, p.24.

Strategic planning should be a collaborative process between the Board and senior management. Obviously, a Board cannot create a strategic plan without senior management, whose expertise and day-to-day organizational knowledge must form the basis of the plan. However, the Board cannot rely exclusively on management to envision the future and set strategic direction for the organization, with nothing but a rubber-stamp of approval from the Board on the final document. A Board that simply approves a strategic plan provided by management with little or no involvement, nor discussion and clarification of priorities and performance expectations, is abdicating a key aspect of its role and responsibility as a governing body. The development of a strategic plan is a joint activity and the Board should be actively involved throughout the strategic planning process in debating future direction and organizational risks, in reviewing and discussing draft strategic plans created by management in order to ensure goals are consensually held, and in approving the final strategic planning document, to which management is then held accountable for the plan's fulfillment.

A designated strategic planning meeting or annual Board retreat is a commonly-used approach for Boards and senior management to focus on strategic issues. In most cases, senior management provides a draft planning document to Board members to consider and debate, and then through a collaborative effort by both the Board and senior management, changes and modifications are made, as necessary. Senior management would then make the required changes and provide a final strategic plan to the Board for approval. The Board then empowers management to fulfil the plan and ultimately, holds management accountable for the plan's implementation.

""The Board – on behalf of Manitobans- should play a stronger role in setting priorities, direction, and in effective oversight – in overseeing the organization. This should be utilizing the great skill and knowledge of the staff – but the Board should be leading, not rubber-stamping."

Survey Respondent

"I would like more 'brainstorming', open-minded sessions for strategy and long-term planning to be held without need for decisions on an issue."

Survey Respondent

"I believe our Board is looked at as more of a pain in the ... than a group that should be involved in strategic direction."

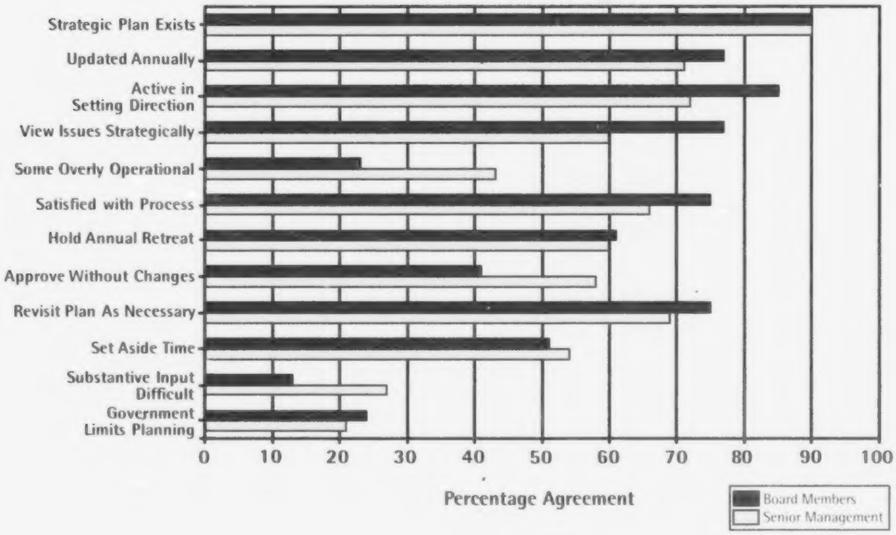
Survey Respondent

Survey Results

- 90% of Board members and senior management told us that a documented strategic plan exists. The strategic plan is updated annually, according to 77% of Board members and 71% of senior management.
- Board members (85%) feel they are actively involved in setting strategic direction and priorities for their organization. Senior management (72%) was somewhat less sure of this, with 15% indicating the Board is not actively involved.
- The Board does a good job of viewing issues strategically, according to 77% of Board members and 60% of senior management.
- However, when asked if some members are overly focused on operational issues rather than strategic ones, there was some uncertainty; while about half of Board members (53%) said this was not the case, 23% said this was an issue and 24% were neutral. Senior management had more concerns in this area, with 43% agreeing that some members are overly focused on operational issues; 29% indicating it was not an issue.

- The strategic planning process utilized by the Board was satisfactory to 75% of Board members and 66% of senior management. About 60% of respondents told us that an annual Board retreat is held to discuss strategic issues.
- The Board's impact on the strategic plan may be limited, as 41% of Board members and 58% of senior management indicated that the Board generally approves the plan without many changes to management's proposal. 31% of Board members and 15% of senior management indicated that such changes do occur.
- Most Board members (75%) indicated they revisit the strategic plan and priorities as necessary throughout the year, as did 69% of senior management. About half of Board members (51%) and senior management (54%) indicated that specific time is set aside at Board meetings to deal with strategic issues.
- Few Board members (13%) felt that it is difficult for them to have substantive input into the strategic plan given they are not industry experts; 70% said this was not an issue. About half of senior management (54%) also said this was not an issue, but about a quarter (27%) indicated that it is.
- We also explored if the limits of public policy and government expenditures was seen as reducing the Board's ability to impact the strategic plan, and 61% of Board members and 66% of senior management said it did not. 24% of Board members and 21% of senior management did perceive this to be an issue.

Strategic Planning



"Board (in my view) needs to have a more sophisticated view of our strategic positioning to build the case for more appropriate levels of investment by government."

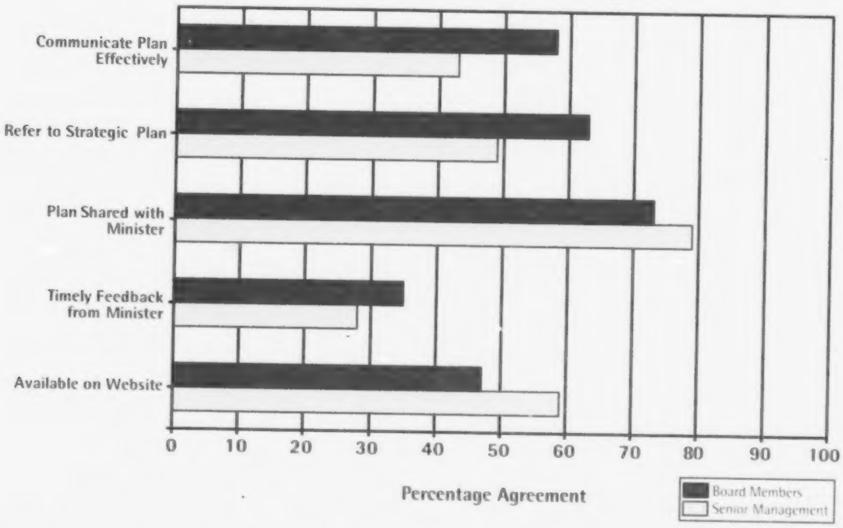
Survey Respondent

Given the public sector context of these 50 organizations, the Board has a responsibility to ensure the strategic plan is communicated to all key stakeholders. This would certainly include all internal staff within the organization. It would also include sharing the plan with any government stakeholders, including the Minister and Department. Given that transparency and openness are key public sector values, sharing all or part of the strategic plan with the public in annual reports or on websites is also good practice.

Survey Results

- In terms of communicating their strategic direction and priorities, over half of Board members (58%) but less senior management (43%) felt they are effective.
- Board members (63%) indicated that the strategic plan was referred to in making Board decisions. Less senior management (49%) indicated that referencing the strategic plan occurs, with a quarter of senior management (25%) indicating it does not.
- The strategic plan is shared with the Minister and/or Department, according to 73% of Board members and 79% of senior management.
- About a third of Board members (35%) reported that feedback received from the Minister/ Department regarding the strategic plan is timely; most (48%) did not know. Less than a third of senior management (28%) felt timely feedback was received; most senior management (49%) said it was not.
- About half of Board members (47%) and slightly more senior management (59%) indicated their strategic plan is publicly available on their website.

Communication of Strategic Plan



2.7.2 Risk Management

A Board's contribution to the key area of risk management and ensuring adequate internal control mechanisms exist is an important aspect of their accountability and oversight of the organization. Identification and mitigation of external and internal risks is often a component of the strategic planning process. *"Since Boards of Directors are ultimately accountable for the wellbeing and perpetuity of the organizations they govern, they need to be aware of the threats of all types to the organization and to seek assurances regarding the organization's ability to protect against and recover from the potential consequences of those threats."*(19)

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(19) Institute of Internal Auditors (IIA), *Tone at the Top*, November 2001. www.theiia.org

Leading practices suggest the Board, in conjunction with management, identify both external and internal risks, deliberate on the extent and categories of risk that it regards as acceptable, assess the likelihood of risks materializing, consider the organization's ability to reduce the incidence and impact of the risks, and weigh the costs of controls versus benefits. Management then implements Board policies, identifies and evaluates risks on an ongoing basis, and operates and monitors the internal control system to mitigate risks.(20) As noted in an earlier section, detailed oversight of internal control mechanisms is commonly delegated to the Audit Committee.

Boards should also identify the scope and frequency of the reports it receives and reviews during the year on risk management issues. It is important for Boards to receive risk reporting on a regular basis, so that early warning indicators are more likely to be identified and potential issues averted. Boards that take a passive approach to risk management, or who receive information "only as needed" or if issues arise, are not providing the organization with as effective governance as possible.

Further, the Board's role in overseeing risk is especially important when the organization is undertaking any new, costly, or large-scale initiatives. Given that any new initiative inherently brings a high level of risk to the organization, the Board must be especially vigilant in ensuring it monitors management's progress against plan and level of expenditures. Our past governance reviews have noted several instances where significant organizational difficulties were experienced, which could have been mitigated or averted had the Board been providing rigorous oversight of the implementation of a new initiative.

"The Finance/Audit Committee should devote more time to risk management, IT controls and general internal controls."
Survey Respondent

Given all the changes in corporate governance within the past decade, the Board's role in risk management processes is continually evolving. While it is not the Board's role to directly manage each of the risks the organization faces, the Board has risk oversight obligations and must be aware of all relevant risks. Some organizations have adopted an Enterprise Risk Management (ERM) approach which allows the Board to strengthen the relationships between strategy, risk management and their oversight responsibilities. ERM is a risk-based approach to managing the organization in an integrated manner, and can produce a stronger comprehensive view of organizational risks as well as provide a cohesive basis for the Board's risk response and decision making. Boards must carefully consider the need to adopt an ERM approach in their context, as its implementation can be an involved and time-consuming process.

Survey Results

- 57% of Board members and 55% of senior management indicated a documented risk management process exists.
- 65% of Board members and 51% of senior management indicated that risk management policies have been documented and approved by the Board; about a quarter of senior management (26%) disagreed. Similarly, 67% of Board members and 70% of senior management indicated internal control policies have been documented and approved by the Board; 25% of senior management disagreed.

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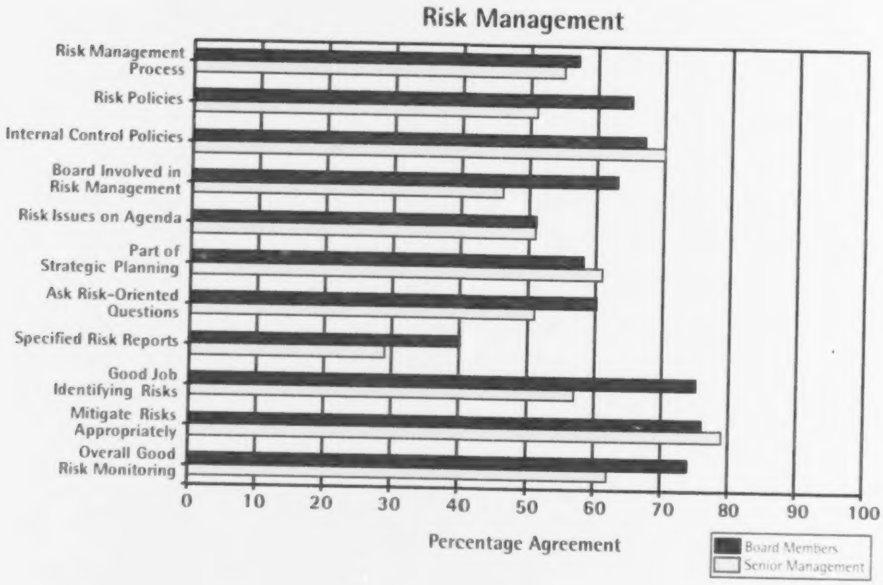
(20) Conference Board of Canada, *Corporate Governance and Risk Management: A Guide to the Integrated Tool*, 2003.

- 63% of Board members but less than half of senior management (46%) indicated the Board is actively involved in the risk management process.
- About half of Board members and senior management (51%) indicated that risk management issues are included on the Board agenda periodically.
- Risk management issues are reviewed as part of the strategic planning process, according to 58% of Board members and 61% of senior management.
- The Board asks risk-oriented, 'what if' questions, according to 60% of Board members and 51% of senior management.
- 40% of BMs and 29% of senior management indicate that the Board has specified the scope and frequency of the risk reports to be received from management throughout the year; most senior management (61%) indicate this has not been done. It is no surprise then that when asked how often risk management reports are received from management, the most common answer was "only as needed".
- Still, 75% of Board members believe their Board is doing a good job of identifying and assessing the risks involved in meeting their operational goals; less senior management (57%) agreed.
- Board members (76%) and senior management (79%) believe appropriate actions are taken to mitigate identified risks.
- Overall, 74% of Board members and 62% of senior management felt that the Board is doing an adequate job of monitoring both internal and external risks.



2.7.3 IT Governance and Risk

A key risk area for many organizations is the management and security of their information technology (IT) and information management systems. In most organizations today, IT has become an essential component in delivering the organization's services; supporting the organization's transactions, procedures and infrastructure; and enabling the organization's communication and knowledge sharing processes. Given the key strategic importance of IT to modern organizations and the fact that IT can often be one of the most significant costs and risks to an organization, the Board has an important role to play in ensuring proper control, risk management and appropriate oversight of this key organizational resource. As per the IT Governance Institute, *"The overall objective of IT governance, therefore, is to understand the issues and the strategic importance of IT, so that the enterprise can sustain its operations and implement the strategies required to extend its activities into the future. IT governance aims at ensuring that expectations for IT are met and IT risks are mitigated."*[21]

As IT often plays an integral part of achieving the organization's overall strategic objectives, the Board must ensure that the organization's strategy and investment in IT is aligned with its overall strategic plan and corporate objectives. IT and the security of the information contained on these systems also pose a significant risk to the organization, so both the Board and senior management must ensure that effective and timely measures are put in place to identify and address IT risks and security issues. Some Boards of Directors establish an IT Governance Committee to help ensure that IT supports the organization's goals and objectives, maximizes the organization's investment in IT, appropriately manages its IT-related opportunities, and that reasonable steps are taken to mitigate IT-related risks and adverse effects.

"IT strategic plan is currently being developed."
Survey Respondent

While the majority of respondents indicated that IT plays a critical role in achieving their organization's mandate, our survey results imply that the Board's involvement in IT strategy, risk management and oversight is limited.

Survey Results

- 69% of Board members and 79% of senior management reported that IT plays an important and critical role in achieving their organization's mandate.
- Yet as noted in Section 2.4, the Board function of "ensuring effective IT systems are in place" was rated least important by both Board members (74%) and senior management (54%). Both Board members (60%) and senior management (35%) also rated their Boards as least effective at this function.
- Extremely few Board members (1%) indicated that they have established an IT Governance Committee.
- Less than half of Board members (48%) indicated that IT risks have been identified; almost as many said they do not know (40%). The majority of senior management (68%) indicated that IT risks have been identified and assessed; 25% said they have not.
- 54% of Board members and 57% of senior management indicated they are satisfied with the information they receive on IT-related matters. When asked if the Board is regularly

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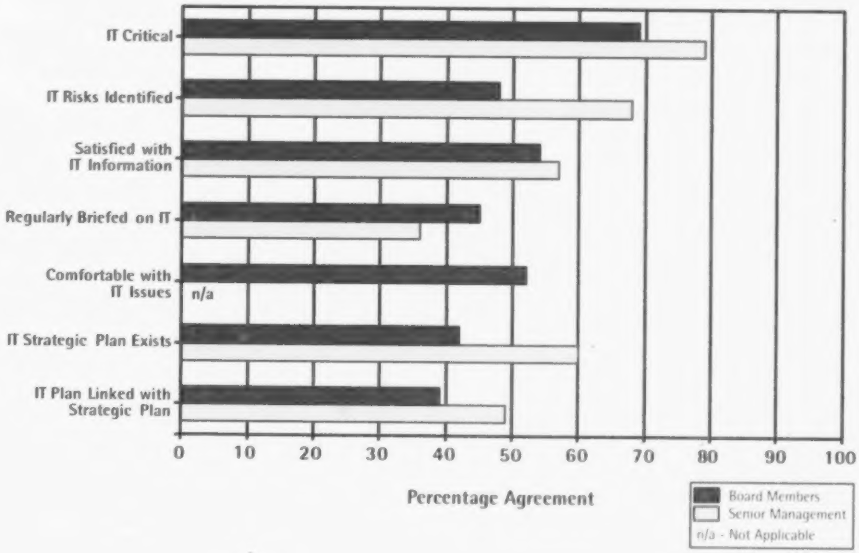
(21) IT Governance Institute (ITGI), *Board Briefing on IT Governance, 2nd Edition*, 2003. www.itgi.org

briefed on IT-related matters, less than half of Board members (45%) and even less senior management (36%) indicated that it was. Slightly more senior management (37%) noted the Board is not briefed on IT-related matters.

- Most Board members (64%) and senior management (70%) reported that IT-related matters are included on the Board's agenda "only as needed"; about 10% indicated quarterly, and 6% indicated annually.
- It is not surprising then that only about half of Board members (52%) reported that they are comfortable in their understanding of IT-related issues being faced by the organization.
- Most Board members indicated they do not know if an IT strategic plan has been developed (47%), nor whether it is linked to the overall strategic plan (51%). Conversely, most senior management (60%) indicated that an IT strategic plan has been developed and that it has been linked to the organization's overall strategic plan (49%).



IT Governance

2.7.4 Financial Oversight and Disclosure

Ensuring the financial and organizational health of the organization is a critical component of good governance. Leading governance practices stress the importance of strong financial oversight by the Board, as well as regular review and analysis of long-term financial trends and any key financial risks. The Board has a fiduciary duty to be aware of and responsible for the financial health of the organization. Boards are required to ensure funds are appropriately spent, accounts properly maintained, and, in some organizations, that future revenue needs are provided for. Boards are generally required to review and approve the organization's financial policies and all financial disclosures. Further, Board members must pay special attention to the financial implications of all their decisions and actions, and ensure oversight of all financial risks related to any proposals put forward by management for significant organizational changes, whether they are expansionary or downsizing initiatives.

"Not certain how well this [monitoring financial policies] *is done."*
Survey Respondent

Those Boards who experience serious financial difficulties may do so as a result of insufficient attention paid to their oversight of the organization's financial activities. A Canadian study found that *"30% of not-for-profit organizations examined experienced serious financial difficulties due to insufficient Board attention to their responsibility to oversee financial activities ...[and that] many not-for-profit Boards demonstrate a tendency to leave financial matters to a Finance Committee or Treasurer."*[22] In our past governance reviews, we have also noted instances where Board members incorrectly assumed their Finance Committee was rigorously reviewing all financial matters and would bring issues that arose to their attention. As the Board can never delegate their overall accountability to a Committee, care must be taken to not over-rely on Committees such as Finance or Audit for all financial decision making. Before approving any financial decisions, all Board members must ensure they understand the recommendations of the Committee, as well as the impacts of the decision.

Board members have a personal responsibility to ensure they have the financial knowledge they need to carry out their oversight role effectively. This means they need to know how to read and understand any internal financial documents, financial statements and/or other reports that compare planned and actual financial results. Management also has an obligation to assist the Board in better understanding the organization's financial issues and any financial implications of significant internal and external issues.

Given the Board's financial oversight role, final approval of the annual budget rests with the Board. The financial planning process and the allocation of resources should be linked to the organization's overall strategic plan, and should consider how the proposed strategies are likely to affect the organization financially. The annual financial planning and budgeting process provides an opportunity for valuable dialogue between the Board and senior management around the difficult choices that typically need to be made in a public sector organization to ensure that limited funds are allocated to the most strategic priorities, and are best utilized to fulfil the public policy mandate of the organization.

"Financial statements and plans budgets are presented for approval - the Board has never entertained or initiated any changes."
Survey Respondent

Boards are also required to approve the organization's annual financial statements, as well as any other public financial disclosures. Such financial disclosures are critical components of an organization's accountability to its stakeholders. Board members need to understand what the financial statements are communicating about the organization's operations and strategy, as well as the financial position of the organization. The Management's Discussion and Analysis (MD&A) document is an important supplement to the financial statements and notes, and should help link the organization's strategy, accounting policies and financial results.

The external audit of the organization's financial statements also assists the Board in fulfilling its financial oversight role. However, an unqualified audit opinion does not provide the Board a guarantee that there are no financial issues or mismanagement. The audit opinion is providing assurance that the annual financial statements reflect an

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(22) Institute on Governance, *Governance Do's and Don'ts: Lessons from Case Studies on Twenty Canadian Non-Profits*, 2001. www.iog.ca

accurate and complete picture of the financial results and position of the organization. It is the responsibility of the Board to interpret that information in order to assess the financial results and position of the organization, and take appropriate action if and when necessary.

"It is my feeling that the external auditor and management are relied upon to provide all information and Board believes all it is told."
Survey Respondent

Our past governance reviews have found a lack of understanding by Board members on the role and extent of services provided by an external audit. The external auditor is hired by and reports to the Board of Directors (or its delegate, the Audit Committee), not to senior management. While the Board can engage the external auditor to conduct extra reviews or provide other services as required, the objective of an external audit is to obtain reasonable assurance that the financial statements are free of material misstatement, and that the financial statements present fairly the organization's financial position, results of its operations, and changes in fund balances and its cash flows in accordance with Canadian generally accepted accounting principles. Management is responsible for the preparation and fair presentation of the organization's financial statements in accordance with Canadian generally accepted accounting principles, as well as the completeness of the information. Management is also responsible for the design and implementation of internal controls to prevent and detect fraud and error. Audits do not usually identify all matters that may be of interest to management in discharging its responsibilities. Furthermore, because of the nature of fraud, including attempts at concealment through collusion and forgery, an audit designed and executed in accordance with Canadian generally accepted auditing standards may not detect a material fraud.

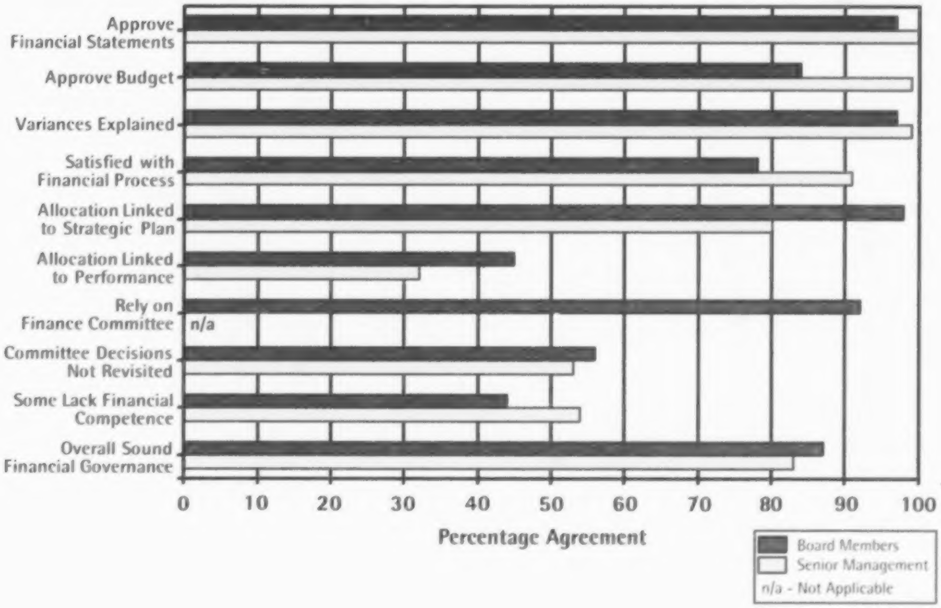
In a public sector context, the organization's financial statements may also form part of the overall government's consolidated financial statements. This is the case for most of the 50 organizations included in our survey. Some Crown organizations are also subject to other sector-specific financial reporting requirements. For example, the organization's operating and capital budgets may need to be approved by government, or government may have the ultimate authority with respect to significant capital expenditures. Given this, public sector Boards should have an understanding of the government's budgeting cycle (and its impact on their organization's budget), as well as the financial information and extent of financial reporting required by government. It should further be noted that by 2010, all organizations within the government reporting entity (GRE) will also be required to provide quarterly financial information to government for inclusion in the Province's quarterly summary financial report.

Survey Results

- The Board approves the financial statements, according to 97% of Board members and all senior management. Further, the Board approves the annual budget, according to 84% of Board members and 99% of senior management.
- The Board is provided with formal explanations from management to account for significant budget to actual variances, according to 97% of Board members and 99% of senior management.
- Overall, 78% of Board members indicated they are satisfied with the financial planning process; senior management agreed even more strongly (91%).
- Allocations of resources are linked to the organization's strategic plan, according to 98% of Board members and 80% of senior management. However, less than half of Board

members (45%) and even less senior management (32%) indicated that when budgeting, the Board allocates resources based on organizational performance; most senior management (49%) reported this does not occur.

- 92% of Board members agreed that they expect the Finance Committee to conduct detailed reviews of the financial performance and flag issues, as necessary. As noted previously, more than half of Board members (56%) and senior management (53%) indicated that the Board relies on Committee decisions and does not revisit those issues.
- Almost half of Board members (44%) and just over half of senior management (54%) indicated that there are some Board members who do not have the financial competency to adequately review budgets and financial statements.
- Overall, 87% of Board members and 83% of senior management indicated that the Board is providing sound governance and financial controllership.



Financial Oversight

Our Observations

- *Most respondents endorse the role of the Board as not only being an advocate for the organization, but as providing oversight and constructive feedback to the organization as well. This is a significant difference from our 1998 survey when 90% of Board members saw their primary role as being an advocate for the organization. Further, Board members more strongly accept their accountability for the actions of the organization.*
- *Board members and senior management endorsed almost all of the Board functions as being important responsibilities of an effective Board. We found*

it interesting that "approving significant business decisions" was seen to be of low importance by senior management. While perhaps understandable as management would be most conscious of the Board treading into day-to-day operational issues, it must be noted that key significant or strategic business decisions should be discussed with and approved by the Board, as the Board is ultimately accountable for such decisions. Boards must be clear however on their governance role in this regard and be careful that it is not attempting to approve all business/operational decisions.

- *While both Board members and senior management self-assessed a performance gap in fulfilling certain functions, the particular functions noted by each as having the largest performance gap are quite different. There may be a number of explanations for this finding, and the results may be Board-dependent. It might be useful for Board members and senior management to undertake a discussion at their individual Board level on the importance and priority of each of these functions.*
- *It is positive that most respondents indicated a strategic plan exists and is updated annually. However, there is room for improvement with respect to the Board's input into strategic planning and with respect to communication of the plan.*
- *The process for risk management can also be improved, as while Board members feel they are actively involved, less than half of senior management agreed. Most Boards have not specified the scope and frequency of risk reporting to be received from management throughout the year. Such an "as-needed" basis implies that the Board would only hear about an issue if there was a problem or worse, a crisis. This passive approach results in the Board losing the opportunity to recognize any early warning signals of potential issues and thereby potentially mitigating risks early.*
- *One key risk management issue relates to information technology (IT), and our survey revealed that more can be done in this area, as IT is perceived to be mostly a management/operational issue. However given that IT can often be the most significant cost and risk for many organizations, the Board has an oversight role to play in this area by ensuring management has appropriately assessed and taken actions to mitigate IT risks.*
- *While Board members and senior management felt sound governance of financial matters occurs, the vast majority indicated a strong reliance on the Finance Committee. The full Board must play an active role in the financial oversight of the organization. We noted that about half of Board members and senior management feel that some Board members do not have the financial competency to adequately review budgets and financial statements. Board members have a responsibility to ensure they have the financial knowledge they need to carry out their oversight role effectively, and financial literacy training should be provided to those that do not.*

  FOR GOVERNMENT'S CONSIDERATION: Ministers should ensure that they are regularly provided with the strategic plans and financial results of the *organizations for which they are responsible to the Legislative Assembly. Once available in 2010, Ministers should also be provided with quarterly financial information in order to remain current on the performance of the Crown organizations under their purview.*

2.8 Board Information for Decision Making

Information is the key contributor to effective Board decision-making and the importance of ensuring that a Board is provided with the quality of information required to make effective and strategic decisions cannot be overstated. Board members have a duty to demand and expect quality information, on a timely basis for decision-making. Boards are commonly too passive in articulating their information needs, and often act simply as recipients of whatever information is provided by management. As noted previously, it is a Board's responsibility to control the meeting agenda, thereby identifying what strategic decisions and issues are being looked at, and what information is required to best inform those decisions.

"I do not know what I do not know!"
Survey Respondent

Boards must recognize that the information they require to perform their governance and oversight functions is not necessarily identical to the detailed organizational information produced to inform management's operational decisions. Governance information should facilitate adequate monitoring of organizational performance by the Board and allow the Board to ensure that its policies and directives have been implemented. Hence, it is important that the Board assesses their information needs on a regular basis and ensure they are provided with appropriate governance information.

"We generally have a good relationship with senior staff but we see it as our responsibility to be skeptical and ask questions until we are satisfied with the information!"
Survey Respondent

Information that is requested by the Board should be provided on a timely basis. Further, Board members should never hesitate to ask for more or different information to inform their decisions, when required. Information should be provided to Board members in advance of Board meetings, so that they can come to the meeting prepared to discuss the issues at hand. Information that is received only at Board meetings or at the time of decision-making does not provide Board members with sufficient time for review and reflection.

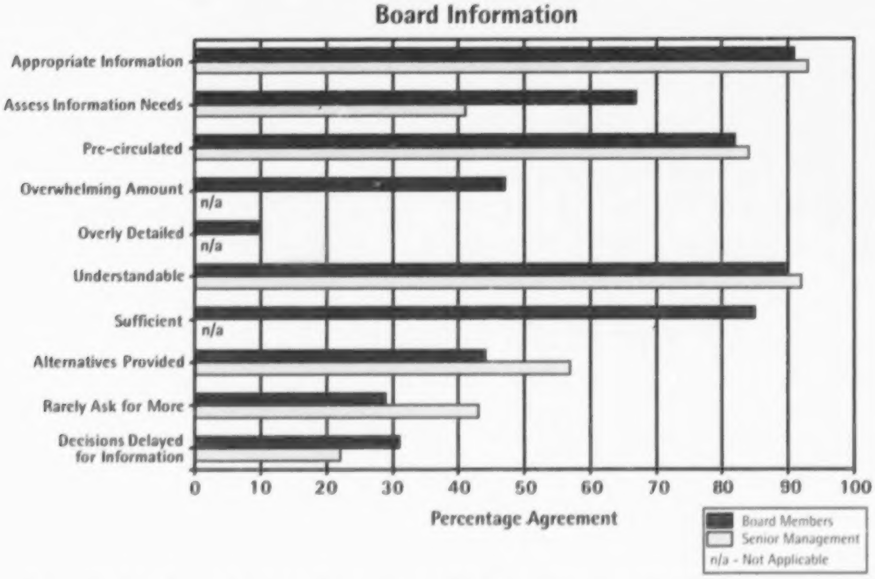
"Information provided by management needs to be provided in advance."
Survey Respondent

Information and management proposals should be provided to the Board in a manner that facilitates their understanding of the overall impact of any decision. Our past reviews have found instances where management presented information on a project-by-project basis, rather than via a comprehensive strategic document linked to financial budgets. As a result Board members were unable to assess the risk and financial impacts of the decisions being made. Having been given verbal assurances, the Board was later surprised to find the organization's overall financial position had been eroded. This is poor governance as the Board should have been aware of the financial situation as it unfolded, and taken appropriate steps to mitigate financial risks and losses.

"I think that our Board could use more knowledge of our impact on staff, and on the organization, and external stakeholders when we are considering our decisions."
Survey Respondent

Survey Results

- 91% of Board members and 93% of senior management perceived that the Board is presented with the appropriate information for decision-making.
- Most Board members (67%) reported they assess their information needs on a regular basis; however noticeably less senior management (41%) agreed.
- The majority of Board members (82%) indicated that the material for Board meetings is pre-circulated in adequate time; senior management agreed (84%).
- Almost half of Board members (47%) reported that they were sometimes overwhelmed by the amount of material that needs to be reviewed in preparation for Board meetings. This is significantly higher than in 1998 when 19% of Board members felt this way.
- Information is not perceived to be overly detailed for the Board's purposes, according to 68% of Board members; few Board members (10%) perceived this to be an issue.
- 90% of Board members reported that the information provided to them is understandable without being over-simplified; 92% of senior management agreed.
- The majority of Board members (85%) reported that the information provided is sufficient to enable them to participate in the Board's decision-making.
- However, less than half of Board members (44%) noted that the information provides them with alternative courses of action from which to select. Senior management was more likely to indicate that such alternative courses of action are provided (57%). This is noticeably lower than in 1998 when 63% of Board members and 80% of senior management reported alternative options being provided.
- 29% of Board members indicated that they rarely ask for more information than is provided to the Board; 54% of Board members indicated that they do. However, 43% of senior management reported that Board members rarely ask for more information.
- Almost a third of Board members (31%) indicated that decisions have to sometimes be deferred or delayed due to lack of information provided to the Board; 22% of senior management agreed.
- For those Board members that would like to see improvements to pre-meeting information, the most common suggestions (in descending frequency) were:
    - More timely delivery of materials;
    - Better identification of important issues;
    - Elimination of extraneous and irrelevant materials;
    - More concise description of issues;
    - More company data on subject matter;
    - Better agenda; and
    - Other suggestions included: the provision of more options and alternate views; and use of electronic information.



"The information provided is adequate for a useful discussion and decision-making."
Survey Respondent

"We do suffer from the general problem of not having the same day-to-day expertise as the staff but that is to be expected. Staff are aware that we expect adequate and appropriate information and we will not make decisions without it."
Survey Respondent

Boards are highly dependent on the quality of information provided to them. Just as Board members should not be inundated with the quantity of information provided to them, the quality of information should not be overly complex or too detailed for utilization by Board members. Information should be appropriately summarized, and salient points should be highlighted and explained. In order to successfully fulfil its governance role, *"a Board needs the right types of information, and this requires a compromise between the two extremes of management presenting only self-serving information, which doesn't give the Board enough real data, and presenting too much data with no explanation, which overwhelms Board members and doesn't help them assess performance well either."*(22)

In order to support the Board in fulfilling its governance responsibilities and communicating their organization's performance to external stakeholders, the information provided to Boards should be pertinent to governance issues, and useful and relevant to the decisions that must be made and choices that need to be considered. Our survey assessed the quality of information received by Boards by asking Board members and senior management to assess several characteristics considered to be typical of useful governance information(23):

- Has an appropriate level of detail;
- Is a complete and fair representation of all facts;
- Is received in a timely manner for effective decision-making;
- Provides historical context to the issues being discussed;
- Gives future-oriented perspectives to the issues being discussed;

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(22) Thomas, Robert J., Michael Schrage, Joshua B. Bellin and George Marcotte, *Board oversight begins with the right information*, National Post, May, 2009.

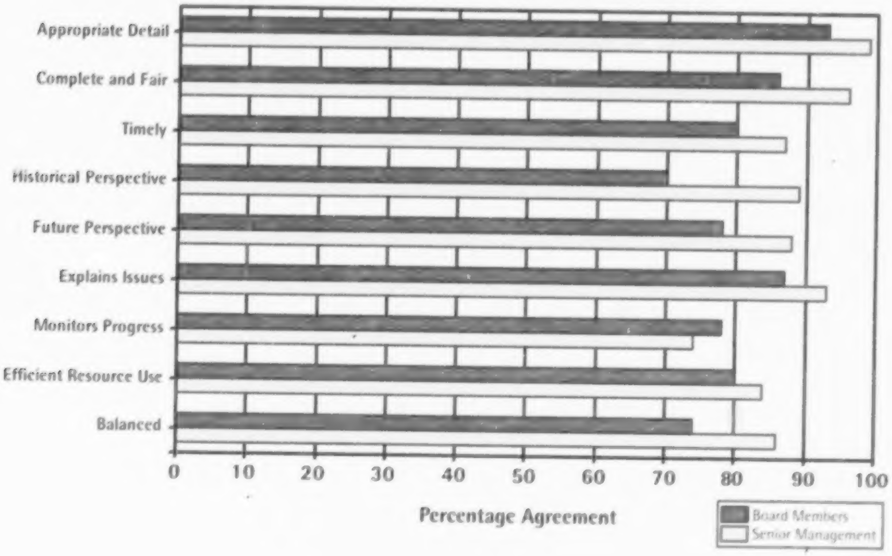
(23) Based on the framework of essential elements of governance information outlined by the CCAF-FCVI in *Information: The Currency of Good Governance*. www.ccaf-fcvi.com

- Explains significant issues, changes, or problems which affect the organization;
- Monitors performance and progress against plan;
- Allows the Board to use resources effectively and efficiently; and
- Is balanced, presenting both the positive and negative impact of a particular decision.

Survey Results

- As shown in the graph below, Board members were most satisfied that the information they currently receive: has an appropriate level of detail (93%); explains significant issues (87%); and is a complete and fair representation of all facts (86%).
- Board members were least satisfied that the information: balances positive and negative impacts of decisions (74%); and that it provides historical context (70%).
- As might be expected, senior management assessed the quality of information much more positively than did Board members. Only one aspect received less than 84% agreement: that the information monitors performance and progress against plan (74%).

Characteristics of Information Provided



A key governance role of the Board is to challenge the assumptions and rationale behind management's recommendations, in order to ensure all aspects, risks and options related to significant decisions are considered and appropriately assessed. As noted previously, the Board's role is to provide sober, second thought to management's proposals through constructive feedback and commentary. This is how a Board adds value to management and enhances the organization, by providing their expertise and perspectives. Such discussions also serve to protect management, by ensuring that decisions reached are thoroughly vetted and approved.

"The Board is entirely "hands-off", questioning is interpreted as disloyal and/or "micro-managing."

Survey Respondent

Board members often feel uncomfortable in their role of constructive critic, and worry that it denigrates the fostering of a positive, trusting relationship with management. However, the concept of trust should not be confused with accountability; the two words are not synonymous. While it is extremely important that a Board trusts its senior management team, it does not absolve management of their accountability. Even more critical, it does not absolve the Board from having to hold management accountable for the responsibilities and delegated powers conferred upon them. Simply having "blind trust", without appropriate accountability, serves neither the Board nor senior management, and most importantly, fails the organization's external stakeholders whom the Board are assumed to represent. Instead, having appropriate accountability processes in place is the Board's assurance that their trust in management is well-placed and well-founded.

"...seems like we are not given the whole picture. We are 'put off.'"
Survey Respondent

"Under the Policy Governance model, management 'manages' the information presented to the Board."
Survey Respondent

An effective Board holds management accountable for organizational performance, while maintaining a respectful and trusting relationship. An effective Board is also careful not to stray from their governance role and functions into micro-management or overly operational matters. Discussions at the Board level must be held in a respectful manner which does not denigrate the trust and confidence that Boards should have in their senior management team. While Board members must ask questions of management to ensure they understand the information presented and to assure themselves of the appropriateness of the approach being taken, they must bear in mind that behaving in a grilling or accusatory fashion towards management is just as dysfunctional to good governance as is being an overly passive rubber-stamping Board. As noted previously, the Board Chair plays a key role in ensuring that the discussion proceeds in a professional manner and that questions are asked in a respectful tone. Studies show that simple changes in communication styles can go a long way to maintaining respectful relationships. For example, repeatedly asking "why" questions to an individual naturally heightens defensiveness, whereas phrasing the same questions to begin with "what" and "how" encourages open discussion. Therefore, a question like "Why did you do that?" could potentially be re-phrased into questions such as "What factors were considered in selecting that course of action?" or "How did you reach the decision to proceed?"

"Our Board must begin to do more critical analysis, discussion, debate and less of our current practice of just agreeing on the management position put forward to us."
Survey Respondent

"Taking our responsibilities seriously without falling into micromanaging is... a challenge."
Survey Respondent

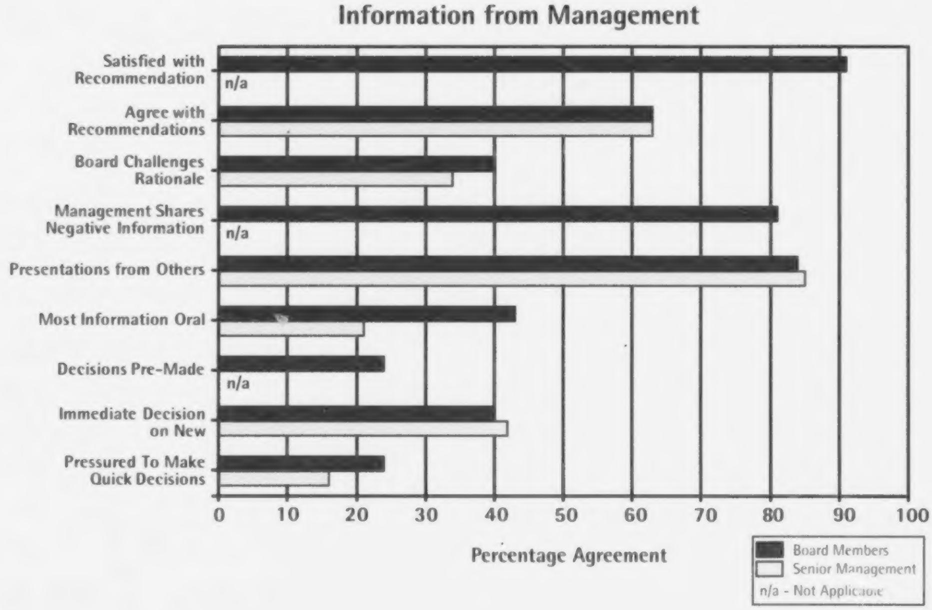
Management must also ensure it is respectful of the Board and understands the Board's role is to clarify, consider, provide input to, and ultimately approve management's recommendations and proposals. Good management will respect and value the input of the Board and ultimately, follow the Board's direction in implementation. Further, good management has nothing to hide from their Board, and will openly share negative or difficult information with the Board, just as readily as it shares positive results. It can be indicative of a poor relationship, if Boards only ever hear good news and positive results at meetings, or only hear of bad news after the fact.

There is no doubt that management can control a Board by what and how they present information. Boards should be wary if information is only ever provided verbally at meetings. While verbal presentations are a normal part of all information shared with the Board, documentation should also be provided to the Board as it is incumbent on the Board to verify the information provided as part of its oversight role. It is inappropriate for management to apply inordinate pressure on Board members to make decisions at meetings, or to provide critical, last-minute information that requires an immediate decision. While this may occur from time to time due to extenuating circumstances, Boards must be wary of this occurring too often or on a regular basis. It is also inappropriate for management to make key decisions prior to Board meetings and then simply inform the Board and request ratification. An inordinate amount of these types of behaviours may indicate difficulties within the organization or be indicative of a management team that does not value the Board's input.

"Sometimes outside of the Board room, I have overheard management making negative comments to other Board members if some Board members have raised another perspective or position."
Survey Respondent

Survey Results

- Board members (91%) are generally satisfied with the advice and recommendations that they receive from senior management of the organization.
- 63% of both Board members and senior management indicated the Board almost always agrees with management's recommendations.
- Responses were split on whether the Board often challenges the assumptions and rationale behind the recommendations being made by management. 40% of Board members indicate that they do challenge and 37% indicating that they do not; about a quarter of Board members (24%) were neutral. Senior management was just as split on this issue, with 34% of Board member indicating that such challenges do occur and 37% indicating that they do not; 29% were neutral.
- Board members (81%) were confident that senior management openly shares negative or difficult information with the Board.
- The Board often gets presentations from senior managers other than the CEO and CFO, according to 84% of Board members and 85% of senior management.
- Board members were somewhat split on the level of oral versus written information provided, with 43% indicating most information is provided orally at meetings, and slightly less (39%) indicating this is not the case. In contrast, 21% of senior management agreed that most information is provided orally; the majority (66%) indicated this is not the case.
- Most Board members (54%) did not feel that decisions are pre-made prior to the Board meeting; however, about a quarter of Board members (24%) reported this occurs.
- Board members were split on whether they are sometimes required to make immediate decisions on information received at the meeting itself; 40% indicated that it does occur and 41% indicated it does not. More senior management indicated that such immediate decisions do occur (42%) than indicated that it does not (32%).
- 59% of Board members are not concerned that they have been pressured to make decisions too quickly; about a quarter have felt such pressure (24%). Senior management was even less concerned that such pressure occurs; only 16% perceived that it does.



Information from Management

"I feel that this Board relies on CEO and other management information far too strongly."
Survey Respondent

It is often assumed that information is neutral and unbiased; it is not. Information is always developed and perceived through particular views and paradigms. It is generally prepared for a specific purpose, which needs to be kept in mind when interpreting the information. There are two major strategies used to counteract these limitations with information. The first is to involve several people in a decision. Thus, through the various individuals on a Board, different perspectives are brought together in decision-making, which balances the sole perspective of any one decision-maker. The second is to have more than one source of information. Multiple sources of information also serves to counteract any distortion that exists in a single source. Hence, enhancing the Board's use of multiple sources of information can contribute to improved governance.

No External Info used: *"And this is, in my view, a serious problem."*
Survey Respondent

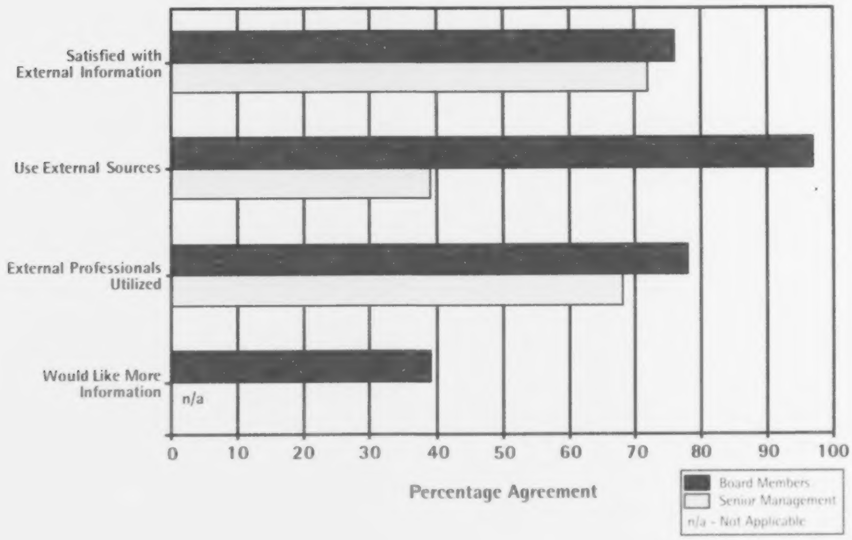
No External Info used: *"This is not a negative as it is the nature of this Board to rely on staff reports."*
Survey Respondent

Boards are understandably reliant on management for its information, however opportunities to lessen their sole reliance on internal sources of information should be considered. Boards should have the opportunity to utilize whatever external resources or information is required to enable them to make the most effective decision for the organization. Utilizing external sources of information, independent of senior management, is one of the key areas that distinguishes high performance Boards. For many Boards, the annual external audit is the only information the Board receives that is independent of the reports it receives from senior management. Requesting external information or other perspectives on an issue should not be interpreted as a lack of trust in management.

Survey Results

- Both Board members (76%) and senior management (72%) are satisfied overall with the amount of external information received by the Board.
- 97% of Board members reported that they use external sources to provide information, independent of senior management. However, much less senior management (39%) indicated that such information is provided.
- Most Board members (78%) stated that their Board avails itself of external advice or professional expertise when needed; senior management (68%) was in less agreement. Board members indicated the most common sources of external information came from:
  - Auditors;
  - Consultants and external professionals;
  - Various government sources;
  - Research studies and data;
  - Investment managers and financial advisors; and
  - Other similar organizations and boards (federal and provincial).
- 39% of Board members noted they would like to receive further information than they are currently receiving from management. While few Board members (10%) said they would not, it was interesting to note that the majority of Board members (51%) were unsure. The most common information they would like to receive from management includes:
  - More detailed financial information and implications of financial decisions;
  - More options and alternatives on issues;
  - Regular information on internal operations (examples include Departmental activities, operational changes, significant contracts, client feedback, IT reports);
  - Human Resources information;
  - More comparative information to similar organizations; and
  - Strategic performance information and linkage of strategies to organizational activities.

External Sources of Information

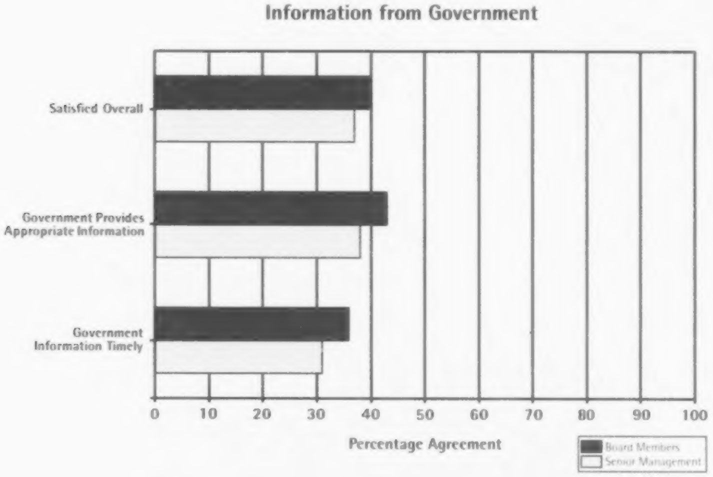


For public sector Board of Directors, one of the most important sources of information is from government sources, including the Minister and Department officials. When asked specifically about the information provided to these Boards from their Minister and/or Department, both Board members and senior management indicated that improvements were required. Section 2.10 discusses the relationship and communication between Boards and government in more detail.

> *"I don't think everyone on the Board knows how government makes decisions related to [our] requests."*
> Survey Respondent

Survey Results

- Overall, 40% of Board members and 37% of senior management indicated they are satisfied with the information currently being received from the Minister and/or Department with respect to their organization. Just as many senior management (37%) indicated they were unsatisfied, as did 21% of Board members.
- Less than half of Board members (43%) and even less senior management (38%) indicated that their Minister and/or Department provided the organization with appropriate information for the Board to do an adequate job.
- Just over a third of Board members (36%) indicated that information from the Minister and/or Department is provided on a timely enough basis. However, senior management was more critical of the timeliness of information, with 40% indicating information is not timely enough.


Information from Government

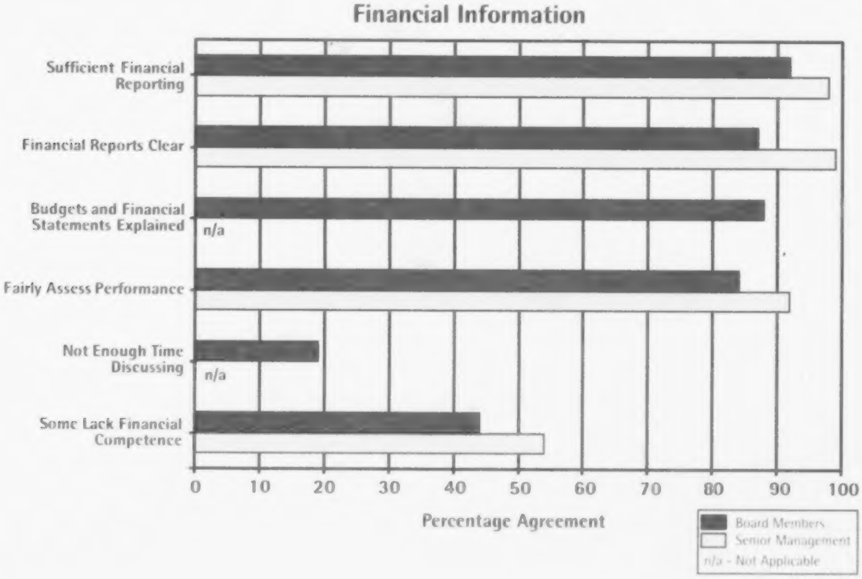
Boards of Directors utilize financial information to track organizational performance and monitor management's progress against plans. As noted previously, the Board has a fiduciary duty to be aware of and responsible for the financial position of the organization, as well as to ensure funds are appropriately spent, and accounts properly maintained. Hence, the quality of the financial information provided the Board is a key contributor to enabling the Board to make effective decisions for the organization. The Board should receive regular financial information that is presented in a clear, understandable manner, and that is produced on a timely basis for decision-making. The Board should be monitoring budget expenditures and variances, and should receive comprehensive business plans linked to financial budgets in making future decisions. The Board should also ensure that it is given sufficient time to discuss and clarify financial issues.

As noted in Section 2.7.4, many Boards demonstrate a tendency to leave financial matters to a Finance Committee. However, all Board members are responsible for the final decision on financial matters and must ensure they understand the financial information that is provided to them. Our survey found that about half of Board members and senior management feel that there are some Board members who do not have the financial competency to adequately review budgets and financial statements.

With respect to over-reliance on Committee decisions: *"This should not happen! Board is ultimately accountable!!"*
Survey Respondent

Survey Results

- Almost all Board members (92%) and senior management (98%) felt the Board is provided with sufficient financial reporting from management.
- 87% of Board members indicated they receive regular reports on finances/budgets that are clear to them; 99% of senior management agreed. Further, 88% of Board members said the budgets and financial statements are appropriately explained to them.
- The financial information provided to the Board allows for a fair assessment of organizational performance, according to 84% of Board members and 92% of senior management.
- The Board does not sometimes have enough time to discuss financial/budget issues according to 19% of Board members; 62% of Board members disagree.
- Almost half of Board members (44%) and just over half of senior management (54%) indicated that there are some Board members who do not have the financial competency to adequately review budgets and financial statements.



Our Observations

- *Boards need to assess their information needs on a regular basis and take a proactive approach to ensuring they receive appropriate governance information for decision making. While Board members indicated that they are provided with the appropriate information for decision making, less than half of Board members report that they are provided with alternative courses of action from which to select. Sole reliance on internal sources of information can be improved, and the use of external sources of information to provide Boards with information independent of the reports it receives from senior management may need to be clarified.*
- *Our survey results revealed a significant difference from 1998 in the perception of the amount of information that needs to be reviewed prior to Board meetings. Boards and their senior management teams should discuss this issue and look for opportunities to improve the quality of information provided, while ensuring that the quantity of information is not excessive.*
- *Improvement is required in the timeliness and appropriateness of information provided from government, according to Board members and senior management. Boards and senior management should make every effort to work with their Minister and Department officials in clarifying the information needs and expectations of their Board.*

  FOR GOVERNMENT'S CONSIDERATION: Ministers and Department officials should work with the Boards to clarify requirements and provide appropriate information as timely as possible. Ministers should also ensure they are receiving the accountability information they need from the Boards under their purview on a timely basis.

2.9 Board Relationship With Management

The relationship between a Board and the most senior executive management position (generically referred to as the CEO throughout this report) is one of the most important internal relationships for a Board. The CEO acts, in most cases, as the main conduit of information between the organization and the Board. S/he generally sits at the apex of the management team, and is responsible for the implementation of all Board decisions. While a Board member's position is part-time and for a specified term, the CEO's position is full time, and a source of professional prestige and livelihood. Although the Board, as ultimate authority, hires and evaluates the CEO, that person accrues power from his/her greater knowledge of the functioning of the organization, his/her awareness of its history, and through peer relationships built over time. As such, the relationship between a Board and its CEO is a key contributor to any organization's success.

"I feel the trust and respect between Board members and management (staff) is very strong."
Survey Respondent

"The management and staff of this organization have been doing a great job and its been a pleasure to work with them."
Survey Respondent

In most cases, the CEO of the organization is an *ex-officio* member of the Board and does not have voting privileges. In only a few cases is the CEO a member of the Board with full voting privileges; this is more common in academic institutions. Current governance literature suggests that the CEO not be a voting member of the Board.

The Board form of governance generally assumes that the CEO is hired by and reports directly to the Board, who also possess the ability to terminate the CEO, if required. In the public sector, the Board's ability to hire and fire the CEO is not always as clear-cut, as the CEOs of public sector organizations are sometimes hired and appointed by government through Order-in-Council. If the government hires and fires the CEO rather than the Board, the CEO's accountability relationship to the Board can become more complex and diffused. In such instances, it can be perceived that the CEO is more responsible to government and less responsive to the Board's input and influence, which can also make conducting the CEO evaluations difficult. Our survey explored whether this diffused accountability was perceived to create an issue for these Boards when it comes to hiring and replacing senior management.

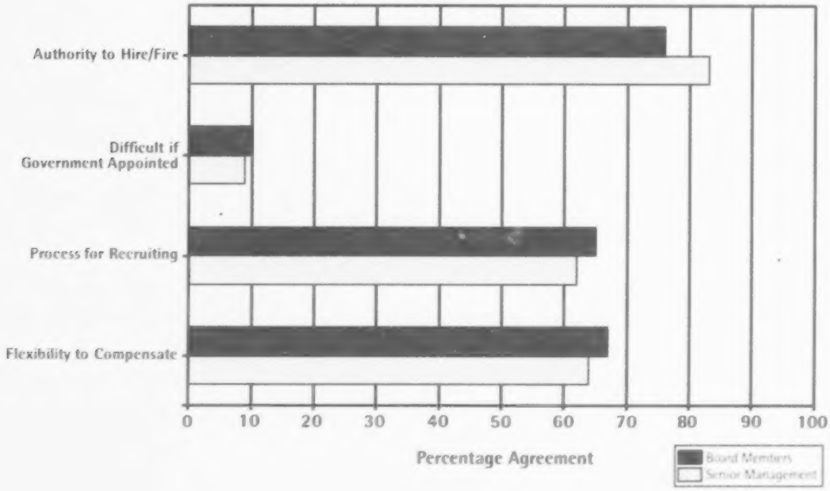
"More informal gatherings between all staff and Board would help relationship between the two."

Survey Respondent

Survey Results

- 76% of Board members and 83% of senior management indicated that the Board has the authority to hire and/or fire the CEO.
- 79% of Board members and 80% of senior management did not feel that the accountability relationship of the CEO to the Board is difficult if the CEO is appointed directly by government; few Board members (10%) and senior management (9%) felt this is the case.
- 65% of Board members and 62% of senior management noted that the Board has developed a specific process and criteria for recruiting and appointing a CEO.
- Most Board members (67%) and senior management (64%) indicated that the Board has sufficient flexibility to compensate the CEO appropriately.

CEO Hiring and Compensation

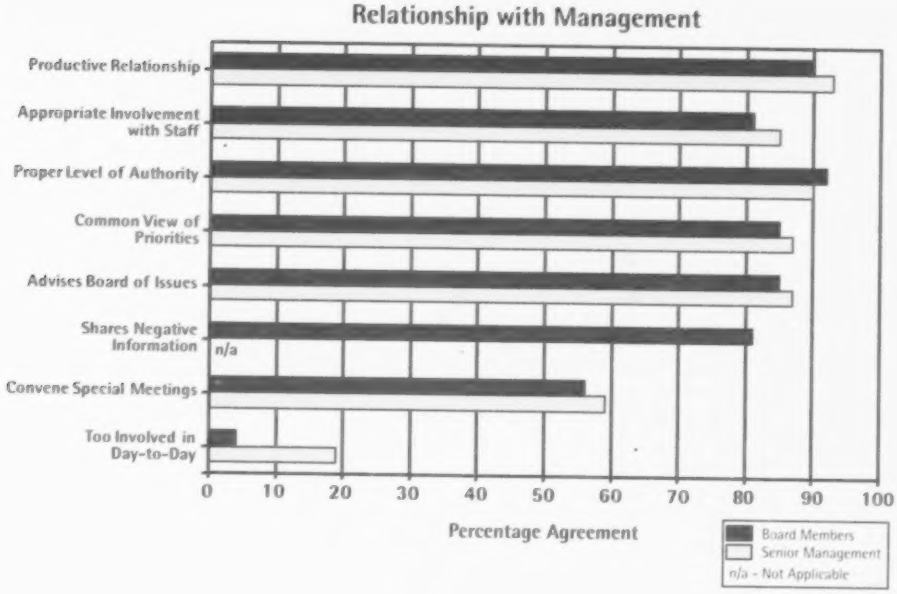


The Board needs to develop a productive working relationship with senior management, where roles and authorities are clearly delineated. Job descriptions, which clearly outline the responsibilities and delegated authorities of senior management, should be in place. Boards are expected to assume an active role in overseeing management and holding management accountable. While it is management's role to develop and implement the tactical plans and operational procedures that respond to the overall vision and strategic direction put in place by the Board, a Board's role is to effectively monitor the performance and results achieved by management in implementing their strategic direction. While Boards should not be involved in operational or day-to-day management decisions, they should be aware of how Board policies are being implemented by management.

"Board members need to be more assertive with respect to senior management, or the Board will continue to be ineffective."
Survey Respondent

Survey Results

- Most Board members (90%) reported they have a productive relationship with senior management; senior management agreed (93%). Further, the Board has an appropriate level of involvement with the organization and the staff, according to 81% of Board members and 85% of senior management.
- The Board has allowed the CEO the proper level of authority, according to 92% of Board members and 90% of senior management. Only 7% of Board members noted the CEO has been allowed too much authority. In contrast, about the same amount of senior management (6%) indicated they have been given too little authority.
- Most Board members (85%) and senior management (87%) reported that they share a common view of the organization's priorities.
- 87% of Board members and 96% of senior management feel that the CEO does a good job of advising them about issues and challenges being faced by the organization. As noted previously, 81% of Board members are confident their CEO openly shares difficult or negative information with them.
- Just over half of Board members (56%) and senior management (59%) indicated that special meetings are convened so that the Board can be actively involved in resolving critical issues facing the organization; about 1 in 10 indicated that this does not occur (21%).
- The Board does not become too involved in day-to-day management decisions, according to 87% of Board members, but only 67% of senior management. While only 4% of Board members said they were, 19% of senior management reported that the Board does become too involved in day-to-day management decisions.



An effective Board holds management accountable for organizational performance, while maintaining a respectful and trusting relationship. As previously discussed in Section 2.8, a Board is not absolved of holding management accountable for the responsibilities and delegated powers simply because a trusting relationship exists, and a Board that displays 'blind trust' in its management team is not providing effective governance.

The Board form of governance assumes that, as the Board has ultimate authority, any authorities not specified by the Board are retained by the Board, who can then decide to delegate it, when and as the situation warrants. If these residual authorities are perceived to automatically fall to the authority of the CEO, an erosion in the Board form of governance may be perceived to occur. It is important, therefore, that there be clarity in the allocation and sharing of power and authority between a Board and its CEO. Even when utilizing a Policy Governance approach, Board policies and sub-policies, as well as monitoring mechanisms, are put in place to the extent that the Board feels comfortable with the delegated levels of authority.

"If the organization is to be run only through the CEO and the Chair, there is really no reason to have a Board."

Survey Respondent

A key governance role of the Board is to provide a countervailing perspective to its organization by assessing the assumptions and rationale behind management's recommendations, in order to ensure all aspects, risks and options related to significant decisions have been appropriately considered. In doing so, an effective Board is also careful not to stray from their governance role and oversight responsibilities into micro-management or an overly operational focus. If a Board becomes overly involved in day-to-day management issues, the line between governance and management becomes blurred. Such a blurring compromises the Board's role as a governing body, as the more operationally involved a Board becomes, the more it takes on responsibility for management outcomes. This greatly compromises the authority of, and ultimately the accountability of, the CEO.

"CEO of organization influences the Board too much. The CEO and management team seem to have pre-conceived strategies and do not like/feel uncomfortable with challenges or questions from the Board. We are just doing our job!"

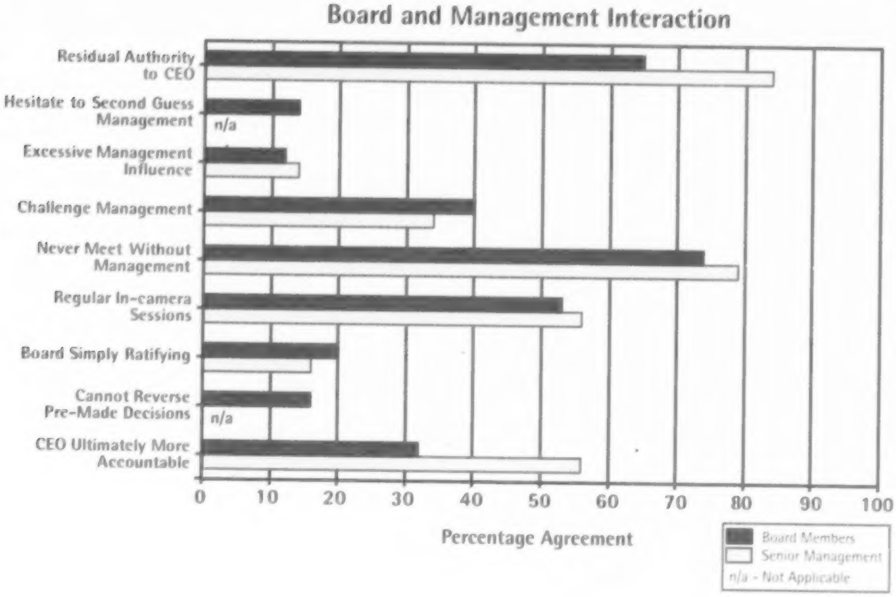
Survey Respondent

"I have observed... defensiveness on the part of [management] if Board members ask questions, state other perspectives or go against a decision, a recommendation, or a position of the senior team."
Survey Respondent

Management's role automatically provides them detailed organizational knowledge and expertise, upon which the Board must rely. A Board that is unable to constructively challenge management's plans and assumptions or that is unable to raise and pursue difficult issues with its management team is not providing good governance. The situation can be exacerbated if management is overly aggressive or defensive in its approach to the Board's questions. Our past reviews have shown that this can occur when the senior executive position is held by a dominant, powerful individual, often a long-serving, recognized leader in the organization. There is a high risk that effective governance will be negatively impacted if such a dominant leader is combined with an overly passive Board.

Survey Results

- The majority of Board members (65%) and even more senior management (84%) feel that any authorities or powers not specifically those of the Board fall to the authority of the CEO. This is somewhat stronger agreement than in 1998.
- 14% of Board members reported they feel that it is not right for them to second guess the decisions made by senior management as they are experienced professionals; most Board members (71%) indicated they have no such hesitation.
- Few Board members (12%) and senior management (14%) indicated that the decisions of the Board are excessively influenced by the CEO; 70% of Board members and 67% of senior management did not agree. However, as noted previously, only 40% of Board members and 34% of senior management reported that the Board often challenges management's rationale behind its recommendations.
- The Board almost never meets without management present, according to 74% of Board members and 79% of senior management. Only about half of Board members (53%) and senior management (56%) reported that they regularly hold *in-camera* sessions.
- Most Board members (65%) do not feel that they are simply ratifying decisions already made by senior management; about the same amount of senior management agreed (62%). There are some Board members (20%) and some senior management (16%) that felt this does occur.
- 16% of Board members reported they feel they cannot reverse decisions that were pre-made by management prior to the Board meeting; the majority of Board members (69%) felt they could.
- When asked if ultimately the CEO is more accountable for the organization than the Board, most Board members (48%) said this was not the case, but about a third (32%) felt it is. Interestingly, senior management was much more likely to feel that the CEO is more accountable than the Board for the effectiveness of the organization (56%); less than a quarter of senior management (24%) gave this accountability to the Board.


Board and Management Interaction

2.9.1 CEO Evaluation

Monitoring the performance of the CEO is a significant responsibility of any Board, and the Board is expected to ensure an appropriate evaluation of management's performance is conducted regularly. Leading practices call for a formal evaluation of CEO performance to be conducted by the Board on an annual basis. While the Chair (or a designated Committee) can take the lead role in coordinating the evaluation process and discussing opportunities for improvement with the CEO, all Board members should have the opportunity for input into the performance review, and should be informed of the results of all reviews.

Boards must bear in mind that the CEO ultimately reports to them, and their oversight of all aspects of the CEO's performance should never be overlooked. CEO expenses should be reviewed and approved by the Board (or a delegate of the Board, such as the Chair or a designated Committee). It is inappropriate for the CEO's expenses to be approved by an employee who reports to the CEO (e.g., a Chief Financial Officer). Further, any bonus or supplementary payments to senior management should be approved by the Board.

"The senior staff is much more talented and hard working than they get credit for."

Survey Respondent

"There is very little sense that the CEO is a Board employee, rather it is vice versa – and that is wrong."

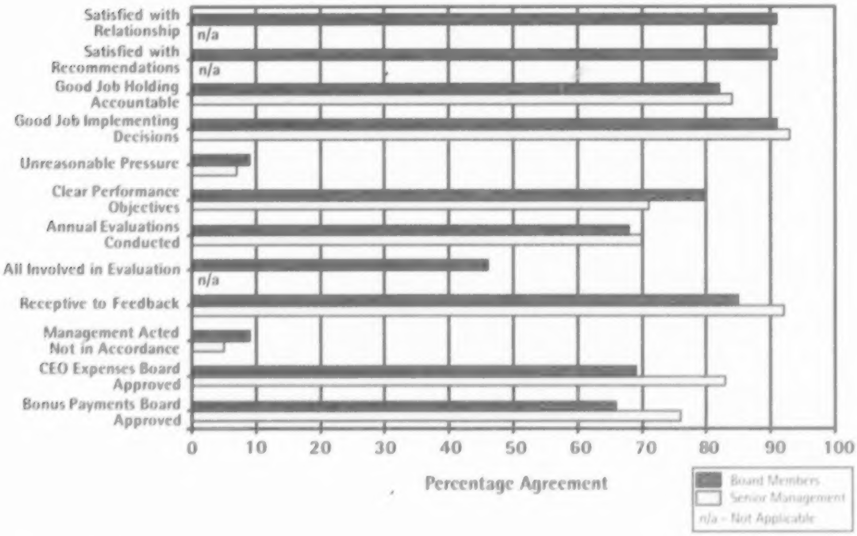
Survey Respondent

Survey Results

- Overall, 91% of Board members are satisfied with the Board's current relationship with their CEO, and the same amount of Board members are satisfied with the advice and recommendations that they receive from senior management.
- The Board does a good job of holding management accountable for the overall performance of the organization, according to 82% of Board members and 84% of senior management.
- The CEO does a good job of implementing the Board's decisions, according to 91% of Board members and 93% of senior management.

- Few Board members (9%) and senior management (7%) felt that the Board sometimes places unreasonable pressure on management to get the job done; most indicated that this is not the case (71% of Board members and 70% of senior management).
- 80% of Board members and 71% of senior management noted that the Board has established clear, measurable objectives for the CEO's performance.
- Annual performance evaluations of the CEO are conducted based on a pre-set criteria, according to 68% of Board members and 70% of senior management.
- Less than half of Board members (46%) indicated that all Board members are involved in the CEO's performance evaluation; 38% indicated they are not involved.
- Management is receptive to constructive feedback provided by the Board, according to 85% of Board members and 92% of senior management.
- Very few Board members (9%) and senior management (5%) can think of an instance where the CEO has not acted in accordance with a decision of the Board; the majority of Board members (83%) and senior management (88%) indicate this is not the case.
- 69% of Board members and 83% of senior management indicated that CEO expenses are reviewed and approved by the Chair or delegated to a Committee/Board member. Further, the Board reviews and approves all bonus or supplementary payments made to the CEO, according to 66% of Board members and 76% of senior management.

CEO Performance Evaluation



Our Observations

- *Board members have placed a lot of faith in their senior management team and generally report being highly satisfied with their performance. Management is perceived to act in accordance with the direction of the Board and to be receptive to constructive feedback provided by the Board. While the majority of Board members and senior management agree with the level of authority accorded to the CEO, most Board members and senior management perceive that* *any authorities not specifically those of the Board fall to the CEO. Our 2008 survey results indicate that such residual authority being automatically accorded to the CEO is more prevalent than in 1998. This perception is a concern because it can create an unbalanced Board-management relationship that places too much authority in the position of CEO and which may over time erode effective governance by the Board.*

- *Improvements can be made to the CEO evaluation process, as less than 70% report that such evaluations occur and only 44% of Board members reported being involved in the evaluation process. We would also expect all Boards to be approving CEO expenses and supplementary and/or bonus payments, if any.*

2.10 Board Relationship to Government and External Stakeholders

Ensuring effective communication, consultation and collaboration with government and all external stakeholders is an important component of good governance and a critical Board function. A Board of Directors never operates in isolation. The Board is always a representative for the owners of the organization, be it shareholders in a private sector context, government in a public sector context, or a specific stakeholder community in a not-for-profit context. While Boards of Directors are generally independent and autonomous, they are also inter-dependent with their owners, community and the context within which they operate.

"The Board is required to be an independent protector of the public interest yet is responsible to a Minister who will sometimes have a different view of the public interest."
Survey Respondent

Public sector organizations operate in a multi-faceted environment and are impacted by a wide variety of stakeholders. In addition to representing government as the owner of the organization, most public sector Boards are also expected to reflect the views, perspectives and interests of all stakeholders in the system. Further, public sector organizations are subject to high levels of scrutiny from the media and general public.

The political context within which public sector organizations operate must also be considered. As compared to a private sector organization whose issues are most likely to be reported in the business section of daily newspapers, issues relating to public sector organizations are more commonly found on the front page. The political aspects of the public sector environment can impact a public sector organization in a variety of ways. Firstly, they are impacted directly by government's political objectives, as they may have been elected on issues impacting the organization, and/or may have specific public policy objectives which impact operational aspects of the organization. Further, a public sector organization cannot help but be drawn into public policy debates which arise between government and opposition parties, other levels of government, and special interest groups. This aspect of public sector governance must be recognized and dealt with effectively by the Board.

"Too much government intervention. Board independence is very important. Political interference is a problem and interferes with sound decision making."
Survey Respondent

2.10.1 Relationship with Government

Government is the ultimate owner and shareholder of public sector organizations, on behalf of all citizens. In many public sector organizations, the majority of the organization's Board members are appointed by government through Order-in-Council.

"More communication on the government's future agenda. It is difficult to run a corporation without an idea of the future wants and needs."
Survey Respondent

"Board should review the legislative mandate at least twice annually to ensure clarity."
Survey Respondent

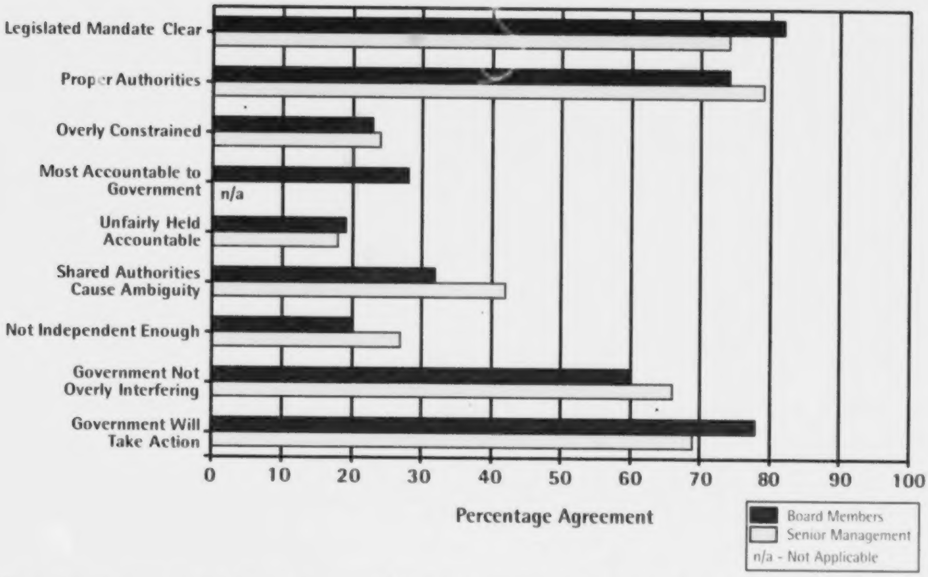
Further, public sector Boards are usually dependent, to some extent, on government for resources, and may be required to take direction or implement policy directives and standards that reflect government's broader mandate and the interests of the public.

Public sector organizations are ultimately accountable to the Legislature. The linkage between the Legislature and the organization can often occur through a variety of entities and individuals, including the Minister, senior government officials from the relevant Department, as well as other legislative actors including but not limited to Cabinet, Treasury Board, and Legislative Committees such as the Public Accounts Committee and the Crown Corporations Committee. The Minister answers for the organization in the Legislature including tabling any relevant legislation, as well as all accountability information such as quarterly and annual reports. The Minister also ensures that government's expectations are effectively communicated to the Boards under their purview, as set out in legislation and regulations. The relevant Department may also act as an agent of the Minister to provide the necessary information and support that the Boards need to meet government expectations.

Survey Results

- Boards have a clear understanding of their legislated mandate, according to 82% of Board members and 74% of senior management.
- 74% of Board members and 79% of senior management reported that their Boards have the authorities required to govern their organization effectively.
- Boards are not overly constrained by government legislation and regulations, according to about half of Board members (49%) and senior management (54%). About a quarter of Board members (23%) and senior management (24%) did report being overly constrained.
- Interestingly, Board members did not perceive their primary accountability to be to government; only 28% of Board members indicated they felt most accountable to government for the impact of their decisions at the Board.
- 54% of both Board members and senior management did not feel that their Board has been unfairly held accountable for decisions made by the Minister and/or other government bodies; 19% of Board members and 18% of senior management felt that this does occur. This is much better than in 1998 when 46% of Board members and 24% of senior management felt they had been held unfairly accountable.
- Opinion is split as to whether the shared authorities with government have led to ambiguities in the role of the Boards, as 32% of Board members felt that it does and 39% of Board members felt that it does not. Senior management was more certain that it does lead to ambiguities, with 42% agreeing this lack of clarity is an issue; a third of senior management (33%) disagreed.
- 20% of Board members and 27% of senior management indicated that their Board is not independent enough of government to make effective decisions; over half of Board members (57%) and just under half of senior management (49%) felt their Boards are independent enough.
- Most Board members (60%) and senior management (66%) did not feel the government overly interferes in the affairs of the Board and organization.
- Yet, if the Board acts in a manner that is inconsistent with its mandate, 78% of Board members and 69% of senior management do believe that the government will take action.

Relationship with Government



The extent to which a public sector organization can operate independently of government varies, depending on such factors as the funding arrangements, the potential impact on public policy, historical precedence and government expectations. Government may intervene in a public sector Board's governance by *"directing the Board to follow a particular course of action when the government believes it is in the public interest to do so."*(25) While this sometimes occurs informally, leading practices suggest such communication take place through a formal directive from government that is then reflected in the organization's strategic plan. In some jurisdictions, public sector organizations enter into a Memorandum of Understanding with their Minister to ensure clarity of mandate and alignment of objectives, as well as to clarify accountability and reporting requirements. Nevertheless, public sector Boards should advise the Minister if a situation arises where *"a government-initiated directive will materially impact the approved strategic plan for the corporation; or other planned government initiatives or legislation may have unintended negative consequences for the corporation."*(26)

"Government does not adequately explain or set out its policy directives.
Survey Respondent

Further, many public sector organizations are required to balance profitability or fiscal efficiency with achieving public policy objectives. As financial budgets are always tight, this can be a very difficult job which requires Boards and their senior management team to balance and prioritize a variety of competing interests. As such, the relationship between public sector Boards and government can be complex and the Board's effectiveness may be weakened if it does not foster a strong relationship with the Minister and government.

"Improvement can be induced in all Board and government relationships, no matter how well they are going."
Survey Respondent

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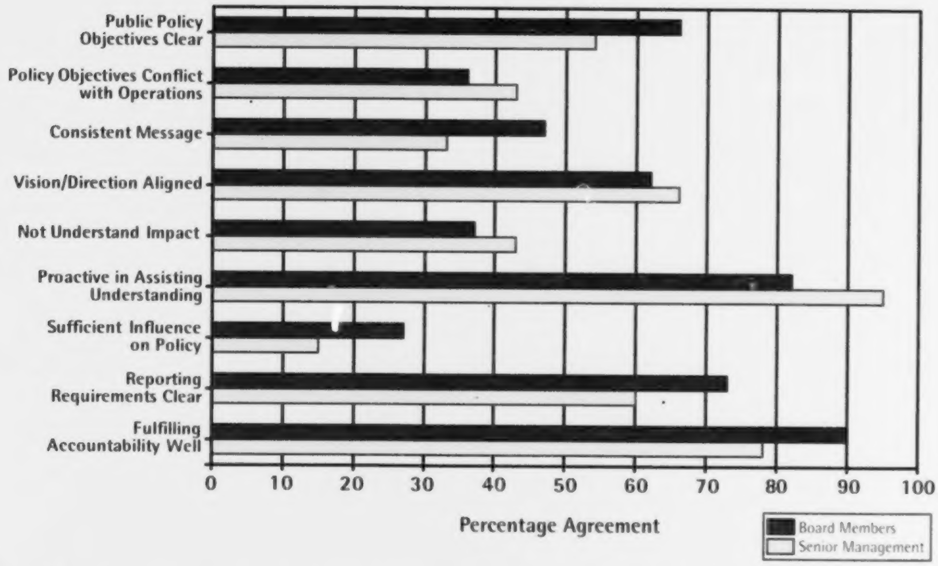
(25) Canadian Institute of Chartered Accountants (CICA), *20 Questions Directors Should Ask about Crown Corporation Governance*, 2007. www.cica.ca
(26) Ibid.

Survey Results

- The Board has a clear picture of government's public policy objectives with respect to their organization, according to 66% of Board members and 54% of senior management.
- However, Board members are split as to whether the public policy initiatives that the government expects their Board to undertake are compatible with the organization's operational performance objectives, with 36% reporting they are sometimes not compatible, while 33% did not perceive this to be an issue. More senior management (43%) noted that government's public policy objectives are sometimes not compatible; 31% did not perceive this to be an issue.
- 47% of Board members indicated the Minister and/or Department provided the Board with a consistent message about government expectations; 22% of Board members disagreed. Senior management was split on this issue, with 33% of senior management indicating that a consistent message is provided and 33% indicating that it is not.
- Notwithstanding, 62% of Board members and 66% of senior management reported that the vision and strategic direction of their organization are aligned with those of government.
- The Minister/Department often makes decisions without adequately understanding the impact on their organization, according to 37% of Board members and 43% of senior management. Almost as many Board members (34%) and senior management (33%) did not perceive this to occur.
- The majority of Board members (82%) and senior management (95%) felt their Board has been proactive in trying to assist the Minister/Department in understanding their issues and funding needs.
- 39% of Board members and 54% of senior management indicated their Boards do not have sufficient influence over provincial policy decisions that affect their organization. 27% of Board members and 15% of senior management reported they do have sufficient influence.
- The accountability requirements and reporting obligations to the Minister and/or Department is clearly understood, according to 73% of Board members and 60% of senior management.
- Further both Board members (90%) and senior management (78%) reported that their Board is adequately fulfilling their accountability to the Minister.



Alignment with Government

Given the importance of the relationship with government, Boards must ensure an effective communication and consultation process exists. An effective public sector Board not only keeps government informed of the organization's performance results and operational challenges on a regular basis, but also on any significant issues relating to the organization which may arise from time to time. Given that *"in the minds of the general public, the actions of most Crown corporations are directly attributable to the government,"*[27] it is no surprise that when such issues arise, the media often go directly to the Minister for comment. For this reason, public sector organizations often *"adopt a 'no surprises' policy of communication vis-a-vis the Responsible Minister – to ensure the Minister is informed of any issue about which he or she may be questioned, particularly if the issue is likely to become public and reflect negatively on the corporaion."*[28] Our discussions with Ministers revealed that they are generally satisfied and feel they are getting good information from their Boards on a timely basis.

Similarly, government needs to provide the Board with clear communication and consultation regarding its public policy expectations and intended outcomes. The Minister and relevant Department officials must ensure a productive, open relationship exists with their Boards in order that it may achieve its mandate and achieve the government's policy objectives. Just as a 'no surprises' approach is important for public sector Boards in dealing with government, the same can be said for Ministers in dealing with the organizations for which they are responsible. While the political nature of the public sector environment may not always allow the Minister sufficient time for optimal consultation and communication with the Board, every attempt should be made to include the Board and organization in any issue that impacts their operations.

"We need more clarification on the relationship between the Minister and our Board."
Survey Respondent

"We as a Board need to effectively articulate our concerns to the Minister."
Survey Respondent

"The Minister needs to be more aware of the challenges facing our organization...by listening to the Board, not the CEO."
Survey Respondent

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(27) Ibid.
(28) Ibid.

"Government needs a better understanding of the critical issues facing the organization, thus more direct communication with the Board is critical."
Survey Respondent

"Board has never met with Minister despite repeated invitations."
Survey Respondent

"You appear to assume that Boards' meeting with the Minister is a good thing. I do not agree, at least for our Board – but I have a good trusting relationship with our Minister and I as Chair report to [the Minister] *both before and after each meeting."*
Survey Respondent

Understandably, Board members and senior management *"may feel undermined or discouraged if they hear government's plans for their corporation the first time during a political statement."*(29)

Our survey explored the quality of the relationship and the perceived level of communication and involvement that these Boards have with government. Although in most instances, communication between the Board and government occurs through the Board Chair and senior executive, our survey results indicated a need to include the entire Board in occasional meetings with the Minister in order to ensure a strong, open relationship. The Board can take a proactive approach to this issue by annually inviting the Minister to attend a Board meeting.

Our discussions with Ministers noted that the level of interaction between the Minister and the Boards varied considerably from portfolio to portfolio. Some Ministers spoke or met regularly with the Chair and/or CEO of the Boards; while some Ministers were especially cognizant of not wanting to interfere with the independence of the Board and said they would only attend a meeting of the Board if they were invited.

Survey Results

- About half of Board members (53%) and senior management (50%) reported their Board has a very effective relationship overall with the Minister/Department.
- 43% of Board members and 38% of senior management indicated that their Minister and Department provide the organization with appropriate information for the Board to do an adequate job.
- As noted previously, 40% of Board members indicated they are satisfied with the information currently being received from the Minister and/or Department with respect to their organization; 21% of Board members reported they were unsatisfied. Senior management was split on this issue, with just as many (37%) reporting they were satisfied as those reporting they were unsatisfied (37%).
- Just over a third of Board members (36%) indicated that information from the Minister and/or Department is provided on a timely enough basis; 31% of senior management agreed. More senior management (40%) indicated such information is not timely enough.
- 25% of Board members and 30% of senior management are satisfied with how often the Minister meets directly with the Board. Most Board members (49%) and senior management (53%) reported they were unsatisfied.
- Overall, most Board members (57%) perceive the relationship between government and their Board to be improving; 43% of senior management agreed with this positive outlook, however most senior management (55%) were neutral on this issue.
- When asked how to improve the relationship between government and their Board, 32% of Board members and 29% of senior management provided 189 suggestions. The most frequent comments (in descending frequency) were with respect to:
  - Holding regular annual meeting between Minister and Board as a whole;
  - More frequent direct communication and interaction with Minister;

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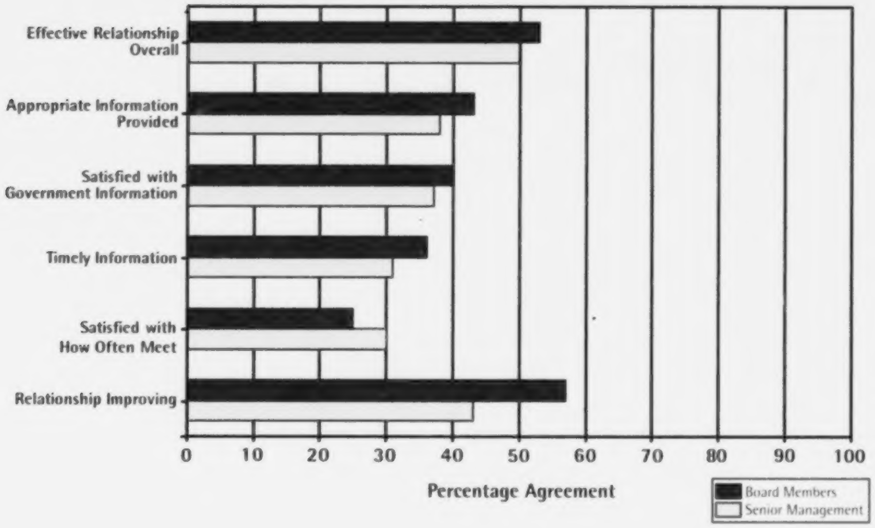
(29) Ibid.

- More autonomy and authority for Boards / Less control from government;
- Adequate funding levels required; and
- Clarification of mandate and expectations from Minister.

Communication with Government



When asked what they foresaw as the key challenges for their Board in dealing with government in the future, 40% of Board members and 41% of senior management provided 229 responses. The most frequent comments (in descending frequency) were with respect to:

- Funding levels and financial issues;
- More direct and ongoing communication with Minister / Should have face-to-face meetings with entire Board;
- Political decisions interfering with corporate decisions; and
- Communication delays and lack of timely responses.

"While it may be politically difficult, I believe it is our government's responsibility to make the public aware that we cannot afford to meet all expectations..."
Survey Respondent

"In general, I am pleased with the work of the Board but frustrated with lack of support from the Minister and government which restricts staff and Board from moving forward with larger ideas and programs."
Survey Respondent

2.10.2 Crown Corporations Council

The Crown Corporations Council represents a special linkage between government and seven Crown corporations. Through *The Crown Corporations Public Review and Accountability Act*, adopted in 1989, Crown Corporations Council (Council) has been assigned a monitoring and advisory role in relation to the Crown corporations designated under its purview. Council is governed by a Board of Directors appointed by government, and reports to the Legislature through the Minister of Finance.

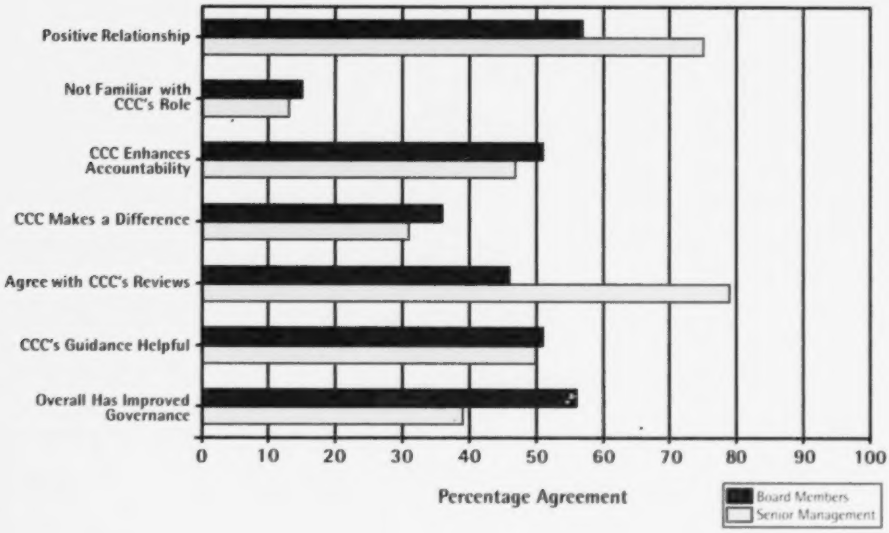
While the Crown corporations designated under Council have changed from time to time since its inception, the seven designated Crown corporations at the time of our survey were: Manitoba Hydro, Manitoba Public Insurance, Manitoba Lotteries Corporation, Manitoba Liquor Control Commission, Manitoba Centennial Centre Corporation, Communities Economic Development Fund, and Venture Manitoba Tours Ltd. Each of these organizations was included in our study, as was Council's Board of Directors and senior management.

Consistent with our 1998 governance study, questions related to the role and mandate of Crown Corporations Council were included on our survey, to be completed only by the respondents from those organizations that are under Council's purview. This part of our survey was completed by 77% of the Board members and senior management in these organizations.

Survey Results

- Council has built a positive working relationship with the organizations under their purview, according to 57% of Board members and 75% of management.
- Most Board members and management are familiar with the role of Council in relation to their Crown; only 15% of Board members and 13% of management indicated they were not.
- The work of Council enhances the accountability of the Boards to government, according to 51% of Board members and 47% of management. About a quarter of Board members (23%) disagreed, as did one in three management respondents (33%).
- The contribution of Council makes an appreciable difference to business practices/ operations, according to 36% of Board members and 31% of management. Board members were more inclined to express a neutral view (38%), however senior management were more likely to disagree (44%) with this statement.
- The Board agrees with the Corporate Performance Reviews conducted by Council on their Crowns, according to 46% of Board members and 79% of senior management. Further, the guidance and advice provided by Council is considered to be helpful and useful to the functioning of their Board, according to 51% of Board members and 50% of senior management. However, 21% of Board members disagreed, as did 36% of senior management.
- Council has helped to improve the governance of their Crown overall, according to 39% of Board members and 56% of senior management. More Board members (44%) expressed a neutral view, while 38% of senior management disagreed.

Crown Corporations Council (CCC)



2.10.3 Relationship with External Stakeholders

An effective public sector Board understands their external environment, and actively manages its relationships with all key external stakeholders which impact their organization. Such Boards are more likely to have developed positive relationships with key external stakeholders, as well as have a high degree of stakeholder agreement on mission and values. Public sector Boards usually have close relationships with a variety of external stakeholders. including its clients, any partners or service providers, any non-government funders, as well as the public and community at large. Implementing effective communication policies and collaboration processes with all external stakeholders is an important function for the Board and devoting time to enhancing relationships is an important element to ensuring effective governance.

"We meet with other stakeholders on a regular basis."
Survey Respondent

Given the public sector context, the Board and organization have a responsibility to ensure the public understand the organization's mandate and services, and that appropriate accountability information is provided to all its stakeholders including the public. Hence the Board should foster an open and transparent relationship with all its stakeholders and not hesitate to comply with all public reporting requirements. Open and transparent public reporting of how a publicly funded organization's activities and responsibilities have been carried out is critical to ensuring public trust and confidence, as *"openness and transparency of activities to the public at large, and two-way communication between an organization and its members and constituencies are qualities that underpin successful stewardship."*(30) Providing strategic plans, annual reports, audited financial statements, and other accountability information on websites can be one method of ensuring information is publicly available.

"Varied interests between stakeholders and government – competing priorities."
Survey Respondent

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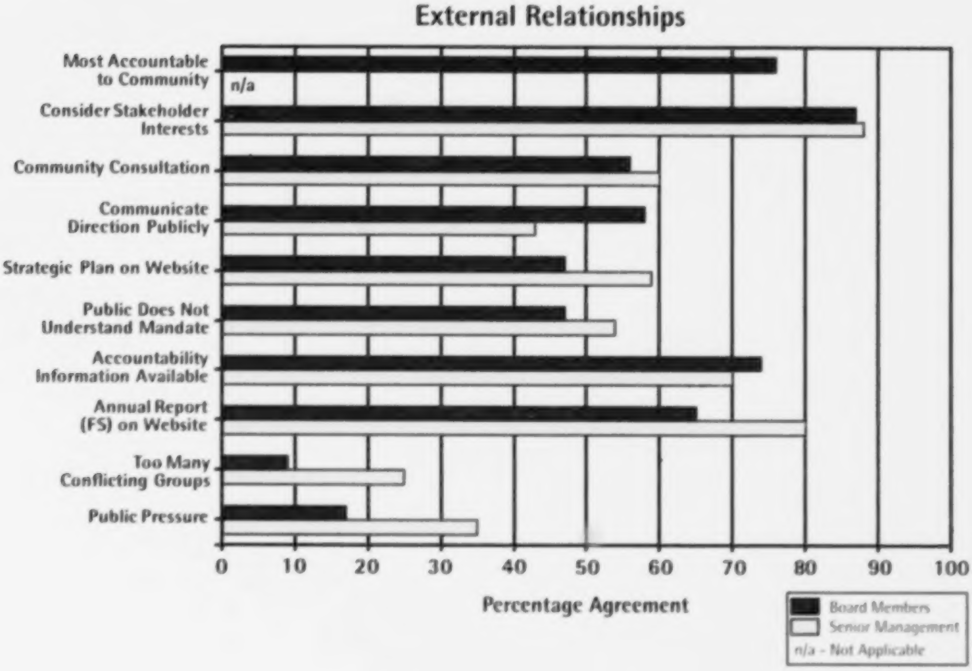
(30) Final Report of the Panel on Accountability and Governance in the Voluntary Sector (Broadbent Report), *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector*, February 1999.

Survey Results

- 76% of Board members reported feeling most accountable to their community for the impact of their decisions on the Board. As noted previously, this is much higher than those who felt most accountable to government (28%).
- The majority of Board members (87%) felt they adequately consider the interests of key stakeholders in making their decisions; 88% of senior management agreed.
- The level of community consultation provides the Board with an understanding of what Manitobans want for their organization, according to 56% of Board members and 60% of senior management.
- More than half of Board members (58%) but less than half of senior management (43%) felt the Board is effective in communicating the organization's strategic direction and priorities with the community. About a quarter of senior management (26%) and 13% of Board members felt that their Board is not effective enough.
- Less than half of Board members (47%) noted that the organization's strategic plan is publicly available on the website; almost as many (41%) did not know. 59% of senior management reported that it is available on the website.
- About half of Board members (47%) and senior management (54%) felt that the public does not adequately understand the mandate of the organization and the issues it faces.
- The Board ensures that appropriate and understandable accountability information is provided to all stakeholders including the public, according to 74% of Board members and 70% of senior management.
- 65% of Board members indicated their annual report and financial statements are publicly available on their website; 30% said they don't know. 80% of senior management reported that it is available on the website.
- Being pressured from too many groups with conflicting views was not perceived to be an issue for 71% of Board members and 52% of senior management; 9% of Board members, and 25% of senior management reported that such conflicting pressures do occur.
- Public pressure sometimes forcing the Board to make decisions it would not otherwise make, was seen to be an issue for 17% of Board members, and 35% of senior management. While most Board members (65%) did not think this influences them, senior management was somewhat more reserved in their opinion (48%).



Our Observations

- *Opportunities for improvement exist in the relationship between Boards and government, as only half of Board members and senior management indicated their relationship is very effective overall. According to most Board members, more communication and consultation with government is required to enhance the relationship. Only a quarter of Board members indicated that they are satisfied with how often the Minister meets with the Board as a whole, and many respondents noted holding regular meetings with the Minister as the best way to improve the relationship between government and their Board.*

  FOR GOVERNMENT'S CONSIDERATION: Ministers should attempt to meet with the full Board once a year. While meetings likely occur on a routine basis between government and the Chair and CEO of public sector organizations, an opportunity should be provided to meet and interact with all Board members.

- *There is room for improvement in the adequacy and timeliness of information provided to public sector Boards from government, as less than half of Board members and senior management are satisfied they have what they need to do an adequate job. Further, the majority of Board members and senior management do not believe that government has provided them with a consistent message about its expectations. Boards should make every effort to request further clarity from government when required.*

FOR GOVERNMENT'S CONSIDERATION: Government should make every effort to clarify the relationship with its Boards, and more clearly define government's expectations. Where there is a significant public policy issue, government should consider using a formal mechanism for communication, such as a Memorandum of Understanding.

- *While Crown Corporations Council has developed generally positive working relationships, the survey results clearly indicate an opportunity to strengthen Council's role in enhancing the accountability of the Crown corporations to government.*
- *While Board members feel that they adequately consider the interests of all key stakeholders in making their decisions, more can be done to provide the public with appropriate accountability information.*

RESPONSE FROM GOVERNMENT OFFICIALS

The relationship between government and its boards will be dealt with at the orientation session. In addition, the findings of the Auditor's study will be communicated to Ministers, and in doing so, the need to establish a strong working relationship will be reinforced.

2.11 Board Accountability

Boards are responsible for the direction of the organization and are accountable for what is accomplished. As the ultimate authority for their organization, the Board has the right to set strategic direction and take action with respect to organizational performance, as it deems necessary. Associated with that right to act, is the obligation to answer for those actions and be accountable for what is accomplished. Accountability is the requirement to explain and accept responsibility for carrying out an assigned mandate in light of agreed upon expectations. Effective governance requires a Board to be clear on to whom it is accountable, and for what. Lack of clarity can inhibit a Board from ensuring their accountabilities are well-managed and their reporting obligations are met.

> *"Accountability is the process whereby public sector entities, and the individuals within them, are responsible for their decisions and actions, including their stewardship of public funds and all aspects of performance, and submit themselves to appropriate external scrutiny. It is achieved by all parties having a clear understanding of those responsibilities, and having clearly defined roles through a robust structure. In effect, accountability is the obligation to answer for responsibility conferred."*
>
> International Federation of Accountants (IFAC)

Public sector organizations are primarily accountable to the Legislature through a Minister of the Government. However, in a public sector context, there are often multiple external stakeholders of the organization to which some accountability is required. Given this, accountability in the public sector is often complex and multi-layered, which causes accountability relationships to be diffused and significantly more challenging. Public sector organizations are often required to be accountable to a variety of different, and sometimes competing, audiences for a range of activities and outcomes. Included in these multiple accountabilities are not only the legislative and funding obligations required by

"Our Board makes an effort to be accountable for the decisions we make. We have the organization's strategic objectives and goals in mind when making decisions."
Survey Respondent

government, but moral responsibility to the clients and users of the organization's services, contractual obligations to other funders or stakeholders, as well as trust obligations to the public in general. Given the multiple accountabilities and competing interests that exist for public sector organizations, the discussion and clarification of to whom a public sector Board is accountable, and for what, is more complex.

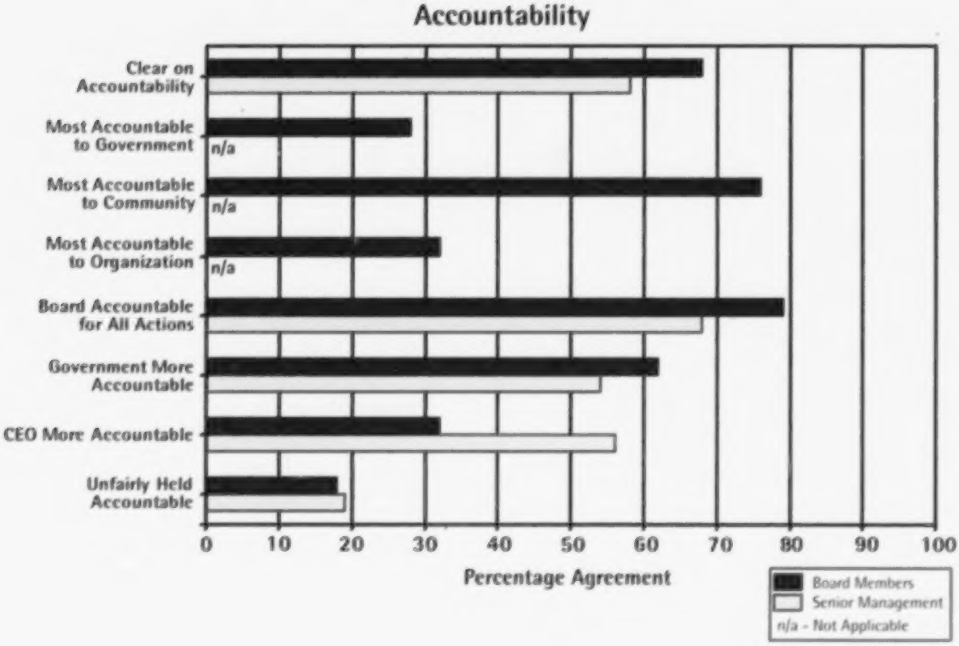
Our past research has noted that public sector Boards often perceive their accountability for governance to be shared. For some Board members, the Minister and Government is perceived to be more accountable for the organization than the Board. This is likely due to the limitations and complexities of the public sector environment. However, as the main shareholder, government has appointed the Board to act on its behalf to govern the organization. For other Board members, the CEO is perceived to be more accountable than the Board. While the CEO is most responsible for organizational performance, efficiency, and effective operations, this should not be confused with overall effectiveness, for which the Board is responsible and ultimately accountable. Boards should discuss these perceptions in order to ensure clarity amongst all parties.

"More clear definition of required accountabilities to government."
Survey Respondent

"The Board has no real authority. All authority is vested in [Department] and implemented by our CEO."
Survey Respondent

Survey Results

- Board members are clear on their accountability requirements, according to 68% of Board members and 58% of senior management.
- As noted previously, Board members did not perceive their primary accountability to be to government; just 28% of Board members felt it was. Rather, Board members indicated they feel most accountable to their community (76%), and then to the organization and its employees (32%).
- The majority of Board members (79%) indicated they accept their accountability for all actions of the organization; 68% of senior management concurred. In 1998, a much higher acceptance of accountability existed (94% of Board members and 92% of senior management).
- Board members perceive a shared accountability with government, as 62% of Board members and 54% of senior management agreed that at the end of the day, government is most responsible and accountable for the organization.
- A shared accountability is also perceived to exist with the CEO, as about a third of Board members (32%) and 56% of senior management agreed that their CEO is more accountable for the organization than the Board.
- As noted previously, 18% of Board members and 19% of senior management felt the Board has been unfairly held accountable for decisions made by the Minister or other government bodies.



Having been given the authority to govern, a Board has the obligation to answer for its actions. Therefore, accountability information needs to be provided on a regular basis to all stakeholders, in an understandable and unbiased fashion, and should provide an evaluation of organizational performance. Performance reporting is an extremely important aspect of the accountability cycle in a public sector organization. Given the substantial revenues which many of these Crown organizations derive from public sources, they have a special duty to provide appropriate governance and reporting of their performance to the Legislature, and ultimately, to the citizens of Manitoba.

"Board members need to be reminded that they are accountable to their community, their government and the citizens of Manitoba not to any management team or CEO or special interest group!"
Survey Respondent

Open and transparent reporting of how an organization's activities and responsibilities have been carried out is critical to ensuring its credibility and to maintaining public confidence in it. This is particularly important in situations that involve public trust and utilizes public monies, and regardless of the minimum reporting requirements set by government, Boards should do their best to *"provide maximum reasonable disclosure to build public trust in, and recognition of the role of the organization".*(31) In Manitoba, public sector organizations are subject to *The Freedom of Information and Protection of Privacy Act* which enables members of the public to access information regarding the organization. Boards should be clear on all required reporting and provide as much as possible through the organization's website, and ensure that a smooth process exists within the organization to handle freedom of information requests.

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(31) Canadian Institute of Chartered Accountants (CICA), *20 Questions Directors Should Ask About Crown Corporation Governance*, 2007. www.cicia.ca

Annual reports are an important vehicle for accountability, and a key method for communicating organizational performance with stakeholders. Leading practices in annual reporting are moving beyond presenting mere financial data, to telling a performance story that communicates public benefits and the value that an organization adds through the results it achieves. It does this by focussing on organizational goals expressed as measurable targets, and reporting achievements against those goals. In order to fulfil their accountability reporting, Boards should ensure that appropriate performance measures are established and monitored in order to measure the organization's progress in achieving performance targets in both financial and public policy areas.

It is a challenge to *"monitor achievement of priorities in [a sector] where years are needed to make/observe outcomes of achieving improvements."*
Survey Respondent

Our Office has outlined eight attributes of effective performance reporting in our 2002 report entitled, *Performance Reporting in Annual Reports: Current Practices Among Crown Entities.*[32] The first four attributes relate to the content of performance reports, which should include: Expected results; Critical success factors and strategies; Actual results; and Future directions. The remaining attributes pertain to the quality of the performance information, which should be: Understandable; Relevant; Reliable; and Complete and Balanced.

Attributes of Effective Public Reporting

CONTENT
- Expected results
- Critical success factors and strategies
- Actual results
- Future directions

QUALITY
- Understandable
- Relevant
- Reliable
- Complete and Balanced

Survey Results

- Management does a good job of measuring organizational performance on a variety of indicators, according to 77% of Board members and 66% of senior management. 80% of Board members were satisfied that the performance information provided to them by management assists in their decision making.
- 73% of Board members and 68% of senior management indicated the Board is doing a good job of reporting organizational performance publicly.
- The annual report expressly indicates the organization's goals, and reports on achievement against those goals, according to 85% of Board members and 79% of senior management.
- The annual report provides both financial and non-financial performance information, according to 88% of Board members and 93% of senior management.
- The information provided to the public is sufficient to allow for an evaluation of organizational performance, according to 67% of Board members and 65% of senior management.
- The accountability requirements and reporting obligations to the Minister and/or Department is clearly understood, according to 73% of Board members and 60% of senior management. Further, 90% of Board members and 78% of senior management feel the Board is adequately fulfilling its accountability to the Minister.
- The Board ensures that appropriate and understandable accountability information is provided to all stakeholders including the public, according to 74% of Board members and 70% of senior management. As noted previously, 65% of Board members and 80% of senior management indicated their annual report and financial statements are publicly

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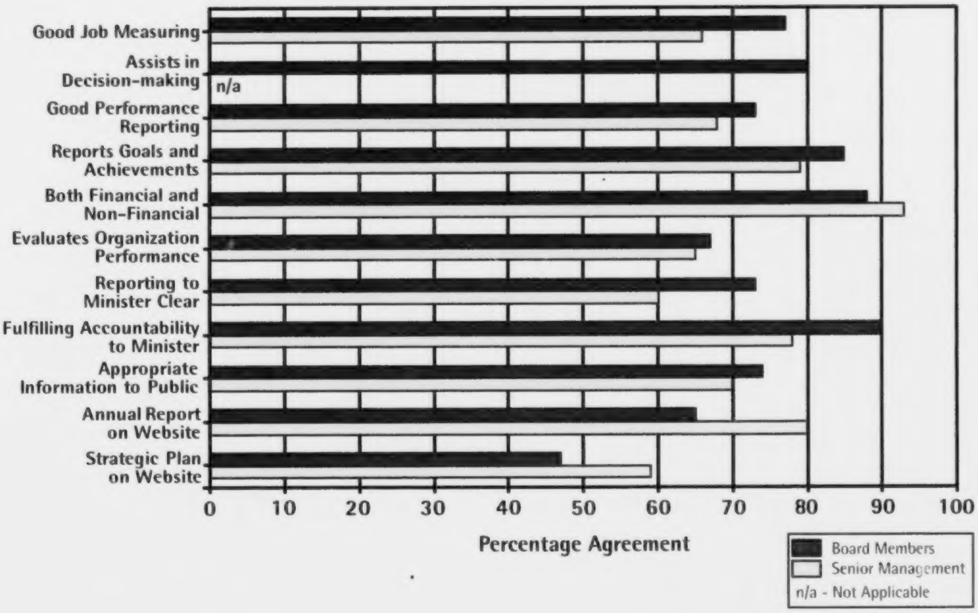
(32) *Performance Reporting in Annual Reports: Current Practices Among Crown Entities*, December 2002. www.oag.mb.ca

available on their website, but less than half of Board members (47%) and 59% of senior management indicated the organization's strategic plan is publicly available on the website.

Accountability and Performance Reporting



Our Observations

- *Even though most Board members are appointed to serve on the Board by government, only 28% feel most accountable to government. Board members view themselves to be most accountable to the community for the impact of their Board decisions. Our discussions with Ministers noted that this finding was understandable and positively reflected the Board's motivation to deliver good services to the community.*
- *Board members are less likely than in 1998 to accept their accountability for the actions of the organization. Overall accountability is perceived to be shared with senior management as well as government. The perception of shared governance is inconsistent with a Board's ultimate authority for governance, as envisioned by governance theory. Our previous governance reviews of public sector Boards have found a similar inconsistency. The Board of Directors has been established and given legislated authority to act as governors, and cannot abdicate their accountability for exercising good governance. Despite the complexity of the public sector environment, and the need for clarity around the respective roles of all key players, Boards are still accountable for effectively fulfilling all of their governance responsibilities.*

2.12 Board Effectiveness and Impact

The overall value of a Board of Directors is its contribution of good governance to the organization. Effective governance is the result of the myriad of governance characteristics, processes and practices discussed in each the previous sections of this report, coming together to create a governing body that is providing appropriate direction, oversight and value to the organization and its stakeholders. Hence, in the end, good governance will always be more of an art, than a science. As previously discussed, a checklist approach to assessing and evaluating governance does not necessarily translate into actual good governance.

"It is an evolving process to improve and monitor performance. Evaluations are key to doing so."
Survey Respondent

Our past research and governance reviews have found that Board members generally believe their Board to be effective when the organization is effective and providing good services. Too often, it is believed that a financially successful organization is effectively governed. However, governance effectiveness and the impact of the Board is very different than organizational effectiveness. A clear distinction needs to be made between the Board's governance role and functions, and the operational performance of the organization. It cannot be assumed that a Board is effective when its organization achieves success, nor conversely, that a Board is ineffective if its organization experiences difficulties. The operational success of an organization could be the result of competent, ethical management even if the Board governs in a perfunctory, rubber-stamping manner. Equally, the lack of success or difficulties experienced by an organization may be due to external factors beyond the Board and management's control. Hence, Board effectiveness needs to be differentiated from organizational performance.

"This organization would look and behave exactly the same had there been no Board. If there is any impact, it is behind closed doors between the Chair and [CEO]. Board members are expected to concur."
Survey Respondent

How to determine the effectiveness of a Board and the impact of governance on an organization has been the subject of much research. Given no objective indicators of effectiveness have been developed, it is difficult to quantify the impact and effectiveness of a Board. For this reason, the standard approach utilized to assess governance is to ask Board members themselves to self-assess their effectiveness. Given that such an assessment is strictly a value-judgement made by those directly involved, and who may have a bias in ensuring positive results, the accuracy of this approach is limited. We recognize this limitation in our survey, and while our survey did ask Board members to self-assess their own effectiveness, our study was not designed to be an evaluation of any of the Boards.

"I feel the organization is well-run, but not that the Board is providing effective oversight."
Survey Respondent

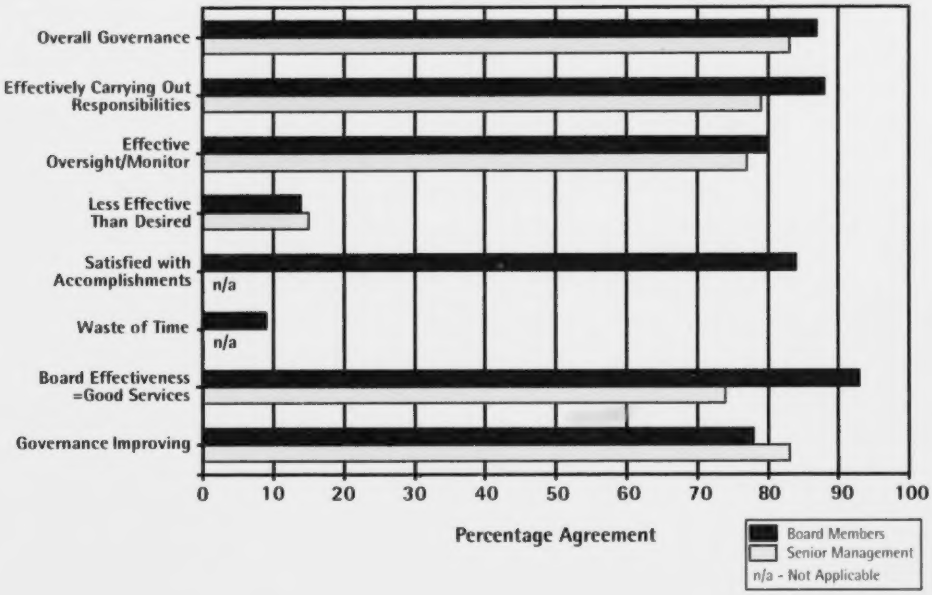
Survey Results

- Overall, their Board is providing sound governance, according to 87% of Board members and 83% of senior management.
- When asked if the Boards are carrying out their responsibilities effectively, 88% of Board members and 79% of senior management reported that they are.
- 80% of Board members and 77% of senior management indicated they are confident that their Board is providing effective oversight and monitoring of the organization.
- Few Board members (14%) and senior management (15%) expressed concern that the Board is providing less effective governance than they would like.
- The majority of Board members (84%) are satisfied with what has been accomplished by the Board since becoming a Board member; and as noted in a previous section, very few

Board members (9%) perceive being on the Board a waste of their time; most (85%) feel it is not.

- The vast majority of Board members (93%) and senior management (74%) believe that the Board is effective when the organization is providing good services to the community.
- According to the majority of Board members (78%) and senior management (83%), Board governance practices have been improving and it is believed they will continue to do so.

Board Self-Assessment



In order to more objectively evaluate its governance performance, a Board needs be clear on its desired outcomes and establish measures to evaluate its own unique contribution to the organization. To move beyond self-assessments of effectiveness, the Manitoba OAG's Model of Governance looks at indicators that are a gauge of how a Board actually impacts, or makes a difference to, the organization for which it is responsible. **Appendix C** provides a full discussion of the Manitoba OAG's Model of Governance.

"Make good decisions, not politically correct decisions."
Survey Respondent

In many governance evaluations, the Board's policy creation is utilized as a measure of impact. However, as many different parts of an organization are involved in the development and implementation of policy, this policy perspective does not adequately provide a unique activity or contribution of the Board upon which to assess its effectiveness. Boards do, however, specifically make decisions and decision-making can be considered the key activity and output of the Board. The subsequent impact of a Board's decisions can then be deemed to be the Board's desired outcome on the organization. As noted in a recent private-sector study of boardroom processes, *"Boards of Directors are small decision-making groups, who, in the final analysis, collectively determine, through the decisions that they make, the fate of [the organization]...Whether a Board works well and makes good decisions, or is dysfunctional and make poor ones,* *depends largely on the manner in which Board members work together.*"[33] Hence, our survey reviewed decision-making behaviour as a proxy indicator for the Board's service to its organization and examined Board members' perceptions of the quality and impact of their Board decisions, in order to more objectively gauge Board effectiveness.

> *"Although business gets done, it is most often that the decisions have already been made by a small # of prominent Board members; at least it appears so since discussion is limited."*
> Survey Respondent

Survey Results

- Overall, Board members (93%) and senior management (88%) are confident that their Board generally makes good decisions.
- The decision making process utilized by these Boards facilitates considered and informed decisions, according to 85% of Board members and 77% of senior management.
- There was some reservation as to whether the Board is involved in making all key strategic decisions for the organization, as 59% of Board members and 43% of senior management felt they are, but 17% of Board members and 24% of senior management did not.
- Boards are provided with the appropriate information to make decisions, according to 91% of Board members and 93% of senior management.
- 31% of Board members indicated decisions have to be deferred or delayed due to lack of information; 40% of Board members said they do not. Only 22% of senior management reported decisions sometimes having to be deferred due to lack of information.
- Most Board members and senior management did not perceive decision-making on the Board to be hampered by members who lack a good understanding of issues; 16% of Board members and 27% of senior management felt that this is an issue.
- Further, few Board members (13%) felt decision-making is hampered because Board members represent special interests; however, somewhat more senior management (27%) felt that this is an issue.
- Boards are usually not pressured to make decisions too quickly, according to 59% of Board members; about a quarter of Board members (24%) and 16% of senior management indicated such pressure does occur.
- Board members (54%) did not generally feel that decisions are pre-made prior to the Board meeting; but about a quarter of Board members (24%) indicated this occurs.
- Few Board members (10%) feel they have less influence over Board decisions than do other Board members; most (74%) disagreed.
- Boards do not have a difficult time reaching consensus on a decision, according to 89% of Board members and 78% of senior management; and Board members (83%) and senior management (84%) indicated that almost all decisions are approved unanimously.
- Once a decision is made, the Board puts any differences aside and assumes collective responsibility for the decision, according to 91% of Board members and 74% of senior management.
- This collegiality does not seem to impact Board member independence, 84% of Board members said they do not hesitate to vote against motions or proposals that they disagree with, and 86% of Board members reported that at the end of the day, they will vote their conscience on an issue, even if it means standing alone.

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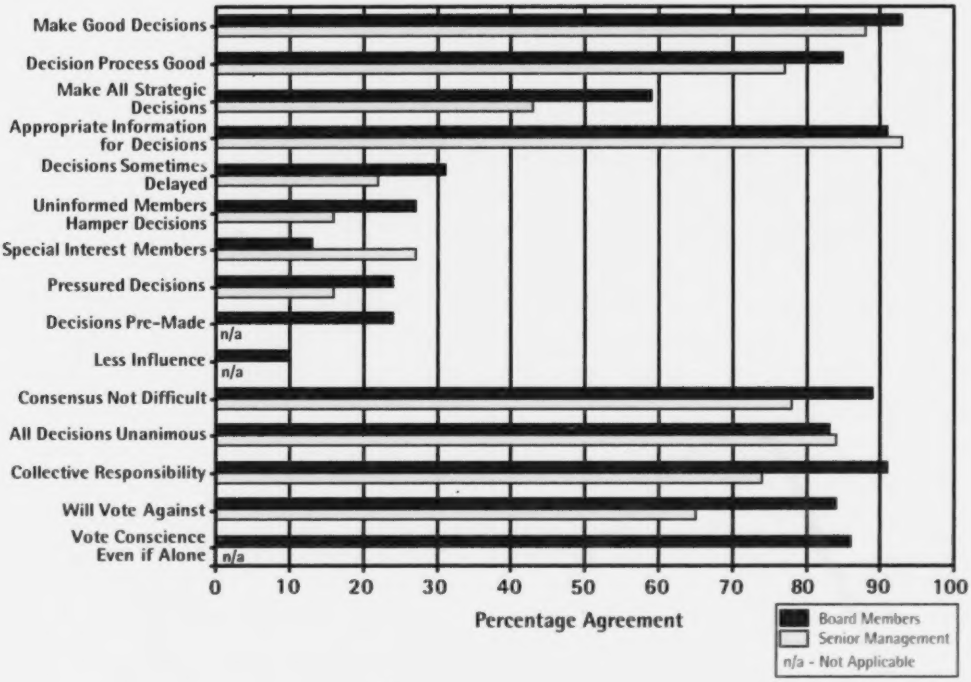
(33) Leblanc, Richard and James Gillies, *Inside the Boardroom: How Boards Really Work and The Coming Revolution in Corporate Governance*, 2005.

Board Decision-Making



"The Board has not significantly 'set a strategic direction', brought forward its own priority, or made any significant impact on the direction of the organization in my years."
Survey Respondent

"I do not feel we truly oversee the activities of the organization, and believe we are deficient in that regard. I have continued to attempt to work in this environment as I believe it is important but I have been considering a resignation because of this."
Survey Respondent

The overall intention of Board governance is to bring diverse perspectives to the decision-making process and to discuss and debate those perspectives in order to reach a well-considered, informed decision for the organization. *"In the final analysis...the role of the Board is the exercise of informed judgement – which may involve the courage to say 'no', and will very likely involve some modifications to the proposals and plans of execution brought to the Board".*(34)

As previously discussed, the Board must always take into consideration its key role of providing sober, second thought to management's proposals and should never act as simply a rubber-stamp for management. An effective Board should, as necessary, make changes or modifications to the proposals and plans of execution brought to them from management. This is not to imply that management's recommendations will always require changes nor that a Board is only effective when it makes such changes. However, a Board that readily accepts all proposals from management with little or no changes, and with only cursory discussion and debate, may be indicative of a Board that is not providing adequate governance oversight and that is having little, if any, impact on the organization.

The Board must be clear that, at the end of the day, the authority rests with the Board and they are ultimately accountable for the organization. Acting as a rubber stamp for management's proposals and recommendations is an abdication of the Board's governance responsibility. For this reason, our survey examined Board members' perceptions of whether, in fact, their Board has made such changes, as a proxy measure for Board impact and outcome.

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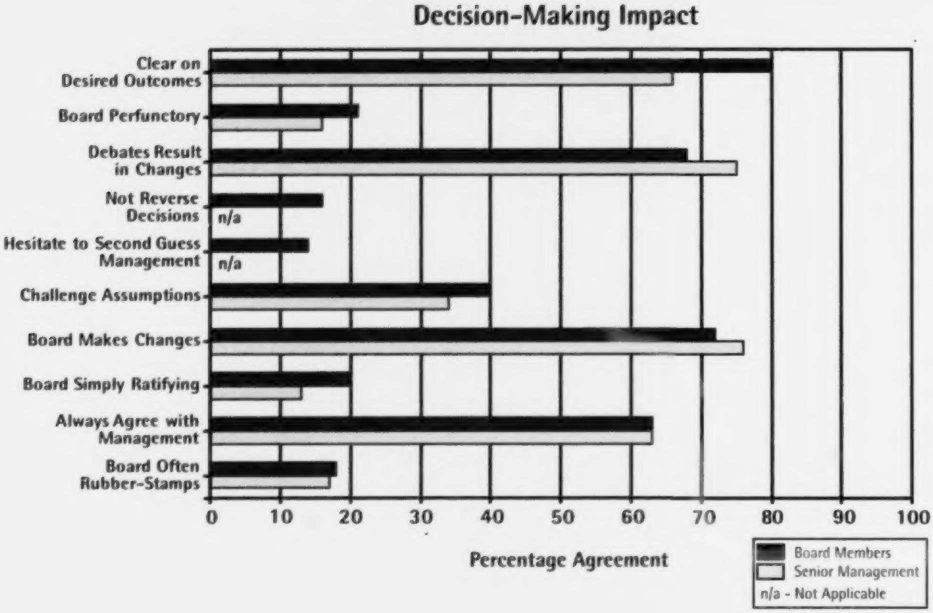
(34) Fuchat, Robert, *Is Regulation Enough?* ICD Director, February 2004. www.icd.ca

"CEO sets the tone for everything. It seems there are no conflicts/decisions challenged...only once I saw this... I feel like we are all rubber stamps."
Survey Respondent

Survey Results

- The Board is clear on its desired outcomes for the organization, according to 80% of Board members but somewhat less senior management (66%).
- 21% of Board members and 16% of senior management feel that the Board's role is perfunctory; most Board members (60%) and senior management (67%) is agreed.
- Debates on matters before the Board may result in changes to management's original proposal and recommendation, according to 68% of Board members and 75% of senior management. This is much lower than in 1998 when 88% of Board members and 96% of senior management indicated that debates led to changes.
- As noted previously, 16% of Board members indicated feeling they cannot reverse decisions that were pre-made by management prior to the Board meeting; most Board members (69%) indicated they could.
- Further, Board members (71%) reported they do not hesitate to second-guess decisions made by senior management, even though management are experienced professionals; few (14%) reported that they do.
- 40% of Board members and 34% of senior management indicated that they often challenge the assumptions and rationale behind the recommendations being made by management; 37% of both Board members and senior management did not feel such challenges occur.
- However, when asked if the Board has made changes as necessary to the proposals and recommendations of senior management, 72% of Board members and 76% of senior management noted this occurs; few Board members (9%) and senior management (11%) indicated such changes do not occur. This is much better than in 1998, when 40% of Board members and 52% of senior management said such changes do not occur.
- 20% of Board members and 13% of senior management indicated that the Board is often simply ratifying decisions already made by senior management; 65% of Board members and 62% of senior management disagreed.
- Yet, 63% of both Board members and senior management indicated the Board always agrees with management's recommendations.
- 18% of Board members and 17% of senior management indicated feeling that their Board often acts as a "rubber stamp" for conclusions reached by senior management; the majority of Board members (65%) and senior management (54%) did not perceive their Board as "rubber stamping".


Decision-Making Impact

2.12.1 Board Evaluation Practices

"We need to get feedback on what we are doing!"
Survey Respondent

"Evaluations are evolving practice - never been adequately done."
Survey Respondent

"Our Board evaluates the staff serving it more than it does its own effectiveness."
Survey Respondent

Ensuring the soundness of the Board's governance approach and effectiveness, as well as making necessary changes as required, is being recognized as a key governance task in all sectors.(35) A Board should periodically monitor and evaluate its own performance in fulfilling its governance functions and achieving its governance objectives. The key to conducting such Board evaluations is to ensure that an appropriate process is put in place -- that is, one that is specific to the Board's current needs and is used as a platform for engaged discussion and follow-up. An evaluation should lead to tangible improvements. Studies indicate that if carefully conducted and strategically developed, such evaluations can have a positive impact on Board functioning and be an effective tool for improving overall governance performance.

As noted by the NACD's Blue Ribbon Commission on Board Evaluation, *"Every director walks into the boardroom for his or her first meeting determined to be of service, but usually without much guidance for evaluating the quality and impact of this service... To make the full board more effective requires that directors set goals for the operation of the board and then judge the extent to which they are meeting those goals, collectively and individually..."*(36) Leading practices suggest that several levels of evaluation occur, including:

- Evaluating the operation and performance of the Board as a whole;
- Evaluating the operation and performance of Board Committees;

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(35) Institute on Governance, *The New Rules of the Board Game*, February 2004. www.iog.ca

(36) National Association of Corporate Directors, *Report on the NACD Blue Ribbon Commission on Board Evaluation: Improving Director Effectiveness*, 2005. www.nacdonline.org

- Evaluating the performance of the Chairperson;
- Evaluating the contribution of individual Board members.

The Board must be clear on the focus and scope of the evaluation, as this will influence the tool and approach being utilized, as well as the types of questions being asked, and the scope of the follow-through after the evaluation is complete. In order to be most effective, the evaluation should be conducted systemically rather than on an issue-specific basis. *"The systemic approach requires an organization to take stock broadly of its current governance situation... What's working, what's not, and where do the root causes lie – in people, policies, bylaws, historical practices that have become conventions, or a combination of these?"*(37) Unless the purpose of the evaluation and how the results will be used is given careful consideration prior to conducting the evaluation, there is a danger that the results will just wind up as a few statistics that are not readily useful or that the process will simply become an obligatory exercise that is seen as *"just another item on the compliance checklist."*(38)

"The Board's self-evaluations in the past have been fairly ineffective. Everyone is too nice."
Survey Respondent

The evaluation process should have a clear leader, who ideally is an independent Board member, such as Chair of the Governance Committee or a Lead Director, rather than the Chairperson. Given that Board effectiveness needs to be differentiated from organizational performance, the evaluation process will need to develop performance indicators for the Board's unique contribution to the organization, in order to adequately measure its effectiveness. As such, the Board will have to be clear on its role, responsibilities and expectations. The evaluation process should also deal with both structural and process issues, as well as behavioural components of the Board's functioning. Once completed, the evaluation results should be concisely communicated to all Board members with key insights and recommendations for improvement.

"Board meets alone at end of meeting to discuss our performance."
Survey Respondent

The type of evaluation can range from self-assessments conducted by simple post-meeting checklists, to structured questionnaires either paper-based or web-based, or to an interview process conducted by an external consultant to explore deeper dimensions of governance. All types of evaluations have their pros and cons, and *"to work well, the Board must possess that often-elusive attribute – a culture of candour and mutual trust. Without this, the evaluative information shared by Board members may be shallow or even misleading."*(39) While there are many standardized questionnaires for Board evaluations readily available, the Board should tailor any approach to its particular situation in order to make the evaluation process most effective. Board evaluations can focus on a number of different areas, such as:

- The participation and involvement of members, including are members prepared, participating and clear on their roles, responsibilities;
- The governance process and system used, such as adequacy of governance policies and by-laws, quality and timeliness of information, committee structures and terms of references;

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(37) Institute on Governance, *Getting to Good governance: Overcoming the Hurdles*, 2002. www.iog.ca

(38) Ibid.

(39) Institute on Governance, *How good is our Board?: How Board Evaluations Can Improve Governance*, February 2006. www.iog.ca

- Overall governance performance and outcomes, such as how does the Board add value?, how is the Board mitigating risk?, and what is its contribution/impact on strategic direction and oversight/monitoring of organizational performance?
- In a public sector environment, it would also be useful to include questions specifically related to the organization's relationship with government, including clarity of mandate, alignment of strategic objectives, and overall effectiveness of the relationship with government.

Current governance literature is increasingly highlighting the practice of conducting peer reviews and assessments of individual Directors. These types of evaluations, which must be thoughtfully and carefully conducted, should not be undertaken unless an effective evaluation process for the Board as a whole is already in place. Hence, an evaluation process for individual Directors takes time to develop and introduce to the organization. While there is often initial resistance to such evaluations, if appropriately conducted, the results can have a positive impact on the Board's functioning. There are many examples of effective and respectful processes which have been established by leading private sector Boards of Directors, such as BMO Financial Group which was awarded the Conference Board of Canada's 2001 National Award in Governance for their peer assessment process. (40)

"Individual Board member evaluations is a delicate topic."
Survey Respondent

As an initial step in conducting peer reviews, the criteria and expectations of individual Board members must be clearly understood by all members, usually through an agreed-upon Charter of Expectations which becomes the predetermined criteria upon which a Board member is evaluated. It is important that such evaluations assess only the agreed-upon expectations of the Board role, and never denigrates the person or the relationships. Another key requirement is that the process must respect confidentiality. For this reason, such assessments are usually conducted utilizing external consultants and the results of the evaluation are confidential to the individual Board member.

Public sector Boards are sometimes reluctant to conduct governance assessments due to their lack of control over appointments, however the evaluation process can create an opportunity for reflection and insight, and most importantly, can help the Board identify and implement better governance practises and procedures. Feedback drives improvement and change, and *"time spent holding a mirror up to the Board provides information that can strengthen [the] Board's performance and ultimately contribute to [the] success of the organization."*(41)

"Evaluation of Board members appointed by government would accomplish what that is positive?"
Survey Respondent

Given the many competing demands on a Board, it is sometimes difficult to take time to reflect on Board functioning and engage in the evaluation process. It is no surprise then that *"many governance reforms occur in crisis situations...Sometimes it seems that only a crisis can move governance from the back burner to the front. [However]...a crisis is seldom the best time for thoughtful decision-making"*.(42) Boards that truly believe their governance to be an important contributor to the organization will take the time to evaluate their Board and take steps to make improvements before any such crisis occurs.

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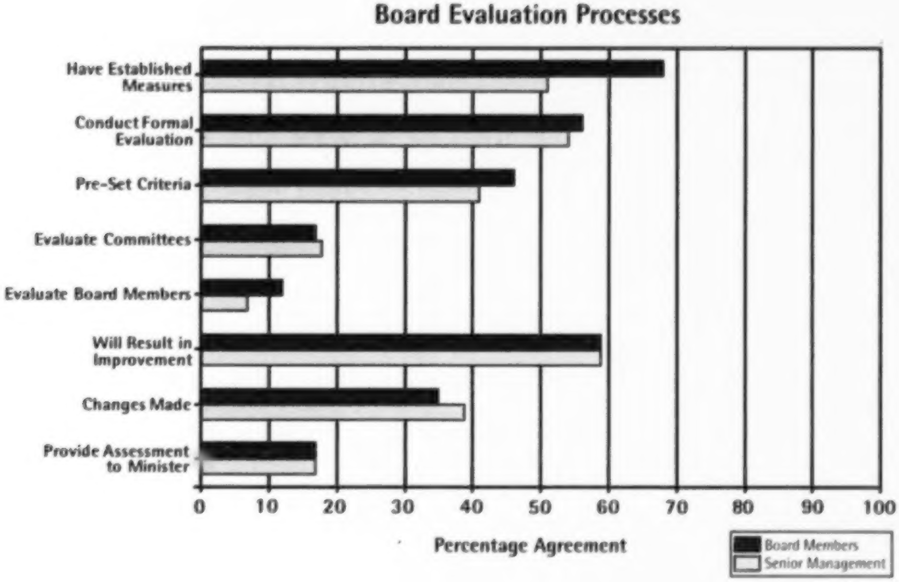
(40) The Conference Board of Canada, *The Governance Ideabook, First Edition*, July 2002.

(41) BoardSource, *Non-profit Governance Index 2007.* www.boardsource.org

(42) Institute on Governance, *Getting to Good Governance: Overcoming the Hurdles*, 2002. www.iog.ca

Survey Results

- 68% of Board members and 51% of senior management reported that their Boards have established measures to evaluate the effectiveness of the Board as a whole. Almost a third of senior management (31%) indicated that such measures have not been established. This is much better than 1998 when only 32% Board members and 8% of senior management reported their Board had established measures.
- 56% of Board members and 54% of senior management reported that their Board conducts a formal evaluation of its performance. For those that do an evaluation, in most cases they are conducted annually (57%). The next common was monthly (10%) followed by every second year (5%).
- Boards are evaluated on pre-set criteria, according to 46% of Board members and 41% of senior management.
- Few Boards members (17%) and senior management (18%) reported that they conduct a formal evaluation of the performance of each Committee.
- Even fewer (12% of Board members and 7% of senior management) indicated that a formal evaluation of the contribution of individual Board members is conducted.
- 59% of both Board members and senior management felt that conducting Board evaluations will result in positive improvements to Board performance; about 1 in 10 did not perceive any value to evaluations.
- The impact of evaluation may be somewhat limited as just 35% of Board members and 39% of senior management indicated that evaluations have resulted in changes being made to the Board's practices.
- Few Board members and senior management (17%) indicated that the Board provides the assessment of its effectiveness to the Minister.
- When asked what changes could be made with respect to Board practices, the most common responses (in descending frequency) were:
    - Board evaluations should be done/improved;
    - Need to improve/do more strategic planning;
    - Need better process and review of financial plans; and
    - Conflict of interest policy needs to be improved.



Our Observations

- *While perceived effectiveness as self-assessed by Board members and senior management is high, this does not seem to be based on formal evaluations for most Boards, nor on established measures of performance. Public sector Board members seem to be erroneously crediting the Board as being effective because they perceive their organization to be doing well and providing good services to Manitobans. Boards could be doing more to formally assess the functioning of their Board's practices and impact on the organization through implementing an appropriate Board evaluation process.*
- *The impact of the Boards on the organization appears to be somewhat limited. Less than three-quarters of Board members and senior management feel that debate on matters before the Board result in any changes to management's original proposal or recommendation. This is much lower than in 1998 when almost 90% reported that debates led to changes. Further, only 40% of Board members and even less senior management indicated that the Board often challenges the assumptions and rationale behind management's recommendations, which is a key role of the Board. About 1 in 5 Board members feel that the Board's role is mostly perfunctory (21%) and that the Board often acts as a rubber-stamp for management (18%).*
- *While the Board's decision-making is reported to be productive and efficient, and Board members are confident that they are generally making good decisions, they do not perceive themselves to be involved in making all key strategic decisions of the organization. While a Board must be careful to not be involved in day-to-day management decisions, they must be just as careful to ensure they are involved in all decisions of a key strategic nature.*

2.13 Current Governance Climate

As one aspect of our survey, we explored the overall attitude that public sector Board members have towards governance, given all the many demands placed on them and given the current corporate governance climate. As discussed in the introduction to this report, the focus on corporate governance and the expectations, requirements and liabilities for Boards of Directors has intensified dramatically in the past decade since our original survey. We were curious as to what extent this has impacted the public sector organizations in our sample. Hence, our survey attempted to assess the impact on Board members' perceptions of whether serving on a public sector Board has changed dramatically and/or is considered more risky or time-consuming than it was in 1998. We also explored whether this perception is causing members to reconsider or refuse Board positions and whether they have a positive outlook towards the future of public sector governance.

"I am honoured to be on this Board and I am proud of our accomplishments while I have been on it."
Survey Respondent

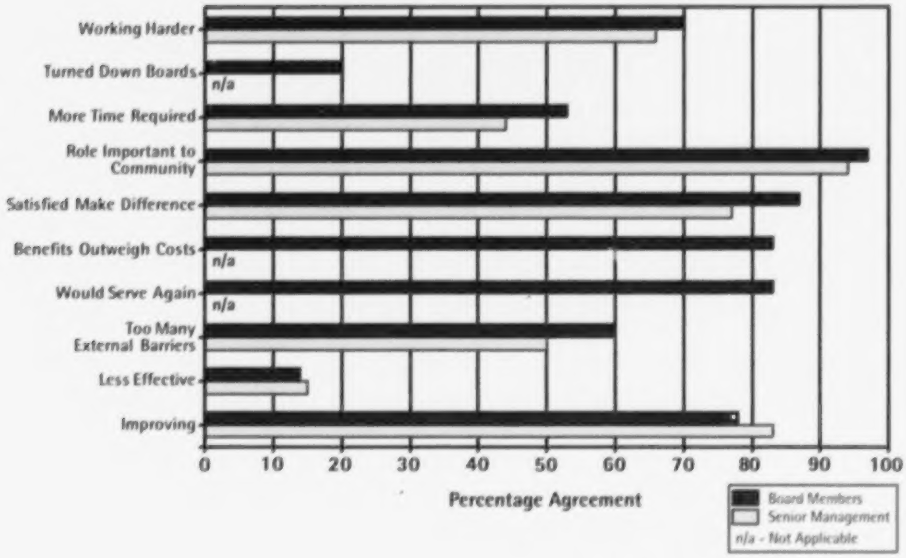
Our survey results found that although feeling like they are working harder than ever before, public sector Board members have a very positive outlook going forward. Contrary to the assumption that the current climate and expanded responsibilities for Boards has lessened Board involvement or caused members to shy away from public sector Boards, an even higher level of commitment seems to exist amongst Board members than in 1998.

"I enjoy serving on this Board."
Survey Respondent

Survey Results

- 70% of Board members and 66% of senior management noted that given all the new requirements and heightened liabilities for Boards of Directors, they are working harder than ever before.
- 20% of Board members indicated that they have turned down Board positions because of the current climate and requirements for serving on a Board; the majority (64%) have not.
- About half of Board members (53%) and somewhat less senior management (44%) indicated that the time commitment required to be a public sector Board member has increased substantially in recent years. About a third of senior management (31%) and one in five Board members (19%) disagreed.
- The Board's governance role is important, as 97% of Board members and 94% of senior management noted that serving on a public sector Board fulfils an important role to the community. Further Board members (87%) and senior management (77%) are also satisfied overall that their governance contribution through the Board they serve on is making a positive difference to the community.
- As noted previously, 83% of Board members reported that taking all things into account, the rewards of being a Board member outweighs the personal costs, and 83% would serve again if requested.
- Most Board members (60%) and senior management (50%) did not feel that there are too many external barriers to being an effective Board. However, 20% of Board members and 27% of senior management do feel such barriers negatively impact their effectiveness. Even so, few Board members (14%) and senior management (15%) felt that their Board is providing less effective governance than they would like.
- Public sector Board members have a positive outlook going forward, as 78% indicated that their governance practices have been improving and will continue to do so; senior management's outlook is even more positive with 83% agreement.

Current Governance Climate



When asked what Board practice or activity is seen to be the major challenge moving forward for their Board, 21% of Board members and 18% of senior management took the time to provide a total of 123 comments. The most frequent responses (in descending frequency) were:

- Funding shortages and financial challenges/ Meeting increased demand for services with ever-rising costs;
- More involvement and increased emphasis on strategic planning;
- More challenging of management and monitoring of performance;
- Dealing with Human Resource issues; and
- Focusing on governance issues to improve effectiveness.

Our survey also provided an opportunity for commentary to be written about any area of Board functioning deemed important, and 32% of Board members and 30% of senior management took the time to provide a total of 314 comments. The most frequent responses (in descending frequency) were:

- Commentary on the survey questionnaire itself, both positive and negative. Negative comments expressed concern regarding the length of the survey and positive comments expressed appreciation for the breadth of governance issues covered on the survey.
- Commentary regarding the Board member's experience on the Board and how that impacted their ability to respond to the survey questions.
- Commentary regarding the government's appointment process.
- Commentary regarding health care and regionalization issues.
- Positive commentary regarding the relationship between the Board and the organization's staff, as well as compliments for staff and/or the Chair.
- Commentary regarding the importance of governance training and Board orientation.
- Commentary regarding the influence of management, and the over-concentration of power in the CEO.
- Commentary regarding the impact of the Board and the inadequate level of the Board's authority/power.
- Commentary related to funding and long-term financial planning and budgeting issues.

"Just completing this survey forced me to review our governance policies-thank you."

Survey Respondent

"Typical of most government initiatives, this survey is much too long and often redundant."

Survey Respondent

"This survey is too long and repetitive. I am pleased however that the survey was done as an understanding of challenges faced by Boards is important to know. Thank you."

Survey Respondent

The effectiveness of a Board's governance can always be improved. Governance practices are never static and given that governance requirements and practices are ever evolving, Boards must recognize that ensuring they are providing good governance is never an end state, but rather an ongoing journey of sustained effort and constantly reassessing governance approaches. A Board should always take the time to reflect upon the adequacy of their past governance practices, and then look to their future challenges and reflect on what approaches will work best in a new context. As noted in a Canadian study of not-for-profit organizations, *"problems of organizational governance ... are compounded if, due to the pressure of rising demands for services and shrinking resources, an organization is so consumed with daily tasks that there is little opportunity to stand back to evaluate and overhaul the structures and processes of governance."*(43)

"I sure hope your office might be able to use these comments - the Board can and does work hard when asked and when needed - can always improve, and should!"
Survey Respondent

"You seem to assume that the research would apply to all Boards, partially or fully appointed by government. I suggest there are many differences, although all probably struggle with relevant governance issues."
Survey Respondent

Our study was intended to assist Manitoba's public sector organizations in standing back to focus on their Board governance practices and consider what leading practices in governance can enhance their governance effectiveness and be reasonably implemented to suit their own unique situation. Such efforts will not only strengthen accountability processes and enhance organizational effectiveness, it will ensure that Manitobans are well served by their public sector organizations.

We once again sincerely thank the Board members and senior management of all the organizations that partook in our survey as this report could not have been produced without their involvement and candid responses. Given the length of our survey instrument, significant time and effort was required from all who completed it, and the extra effort taken by many to add insightful commentary is very much appreciated.

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(43) Final Report of the Panel on Accountability and Governance in the Voluntary Sector (Broadbent Report), *Building on Strength: Improving Governance and Accountability in Canada's Voluntary Sector*, February 1999.

Appendices

Crown Organizations Included in Survey

Appendix A

The 50 organizations included in our review are provided in alphabetical order:

Addictions Foundation of Manitoba
Assiniboine Community College
Assiniboine Regional Health Authority Inc.
Brandon Regional Health Authority Inc.
Brandon University
Burntwood Regional Health Authority Inc.
CancerCare Manitoba
Centre culturel franco-manitobain
Child and Family Services of Central Manitoba
Child and Family Services of Western Manitoba
Churchill Regional Health Authority Inc.
Civil Service Superannuation Fund
Collège universitaire de Saint-Boniface
Communities and Economic Development Fund
Crown Corporations Council
First Nations of Northern Manitoba Child and Family Services Authority
First Nations of Southern Manitoba Child and Family Services Authority
General Child and Family Services Authority
Interlake Regional Health Authority Inc.
Legal Aid Services Society of Manitoba
Manitoba Agricultural Services Corporation
Manitoba Arts Council
Manitoba Centennial Centre Corporation
Manitoba Community Services Council Inc.
Manitoba Film and Sound Recording and Development Corporation
Manitoba Gaming Control Commission
Manitoba Habitat Heritage Corporation
Manitoba Hazardous Waste Corporation
Manitoba Health Research Council
Manitoba Hydro-Electric Board
Manitoba Liquor Control Commission
Manitoba Lotteries Corporation
Manitoba Product Stewardship Corporation
Manitoba Public Insurance Corporation
Métis Child and Family Services Authority
Nor-Man Regional Health Association Inc.
North Eastman Regional Health Authority Inc.
Parkland Regional Health Authority Inc.
Red River College
Regional Health Authority Central of Manitoba Inc.
South Eastman Regional Health Authority Inc.
Sport Manitoba
Teacher's Retirement Allowances Fund
Travel Manitoba
University College of the North
University of Manitoba
University of Winnipeg
Venture Manitoba Tours Ltd.
Winnipeg Regional Health Authority Inc.
Workers Compensation Board of Manitoba

Survey Methodology

Appendix B

This report presents the findings of a governance survey conducted in 50 Manitoba Crown organizations. The purpose of this survey was to re-examine Board governance in Manitoba in 2008, a decade after our Office's initial governance study, and provide an updated 'snapshot' of current practices in Manitoba's public sector. In the past decade, our Office has conducted and reported on several such public sector governance surveys, each of which is available on our website www.oag.mg.ca:

- *An Examination of Governance in Manitoba's Crown Organizations*, June 1998;
- *An Examination of School Board Governance in Manitoba*, October 2000;
- *An Examination of RHA Governance in Manitoba*, January 2003; and
- *Enhancing Audit Committee Practices in the Public Sector*, October 2006.

The 2008 survey was designed to provide an overall picture of the current state of public sector governance and to assess, at a general level, current practices and Board functioning on each of the attributes of effective governance outlined in our Office's Governance Model (see **Appendix C**). The survey instrument sought opinions from all current members of the 50 public sector Boards of Directors that met the sampling criteria. In order to provide comparative assessments, we also sought the opinions of each organization's Chief Executive Officer, Chief Financial Officer, and other senior management personnel who work directly with the Board, such as the Chief Internal Auditor, and Corporate Secretary.

A total of 50 Crown organizations within the Province's government reporting entity (GRE) were included in this study. Each of these organizations is governed by a Board of Directors that has policy-setting and decision-making capability to provide oversight of their corporate organizations. These Boards of Directors are accountable for their organizations to the Legislature through a Minister of the Government. Our 2008 survey included the 11 Regional Health Authorities, which had been surveyed separately in 2003. The Civil Service Superannuation Board and the Teacher's Retirement Allowances Fund are not included in the GRE, however, being government-sponsored pension plans, they were included in our survey given their close relationship with the Legislature and our relationship as their external auditors.

A Crown entity is defined as: *Any agency, board, commission or other body:*

- *That is established by government but is not part of a government department.;*
- *That is owned and/or controlled by government;*
- *That is established by a statute and given delegated authority and responsibility;*
- *That may or may not be financially self-sufficient; and*
- *That may or may not derive its revenues from customers or client groups.*

Performance Reporting in Annual Reports (December, 2002)

Excluded from our survey were any public sector Administrative Boards, Advisory Boards and Committees, Tribunals, or Regulatory bodies, as well as any other Crown organizations within the GRE that are not governed by a Board of Directors. Also excluded were Boards of Directors that are primarily composed of government staff, or that are operated primarily through a Department. This would include organizations such as Manitoba Housing and Renewal Corporation, as well as all the Special Operating Agencies. Also not included were Boards of Directors within Manitoba that have some or all appointments made through government Order-In-Council, but do not form part of the GRE.

The survey instrument for this study was developed by modifying the questionnaire used in our previous governance studies, in order to more accurately reflect current governance practices and emerging topics in governance research. We ensured that comparative indicators from our initial survey were maintained in order to track changes over time. We acknowledge the past

Appendix B (cont'd.) Survey Methodology

contribution of our colleague, the late Dr. Isobel Garvie, whose work and research in the field of governance provided the basis for our questionnaire and led to the development of our Model of Governance.

Given the wide range of public organizations included in our study, the survey instrument was of a general nature, and could not examine any particular public policy issue, nor any Board's specific governance structure or approach (for example, the bicameral nature of university governance; or unique aspects of pension governance). While the different practices of the Boards must be kept in mind when interpreting the results of our survey, there are some fundamental similarities in public sector organizations and the generic nature of the questions allows us to gain an overall picture of the experience of current Board governance practitioners in Manitoba's public sector.

Survey respondents were asked to indicate their level of agreement with a series of statements that reflected a wide variety of attitudes and perspectives towards Board governance. These statements were generalized to be applicable as wide a range of Boards as possible. The statements were phrased to reflect positive as well as negative opinions about Boards. There is no right or wrong answer to such statements; it is simply intended to elicit opinions held by the current governance practitioners in Manitoba. Given this, the survey results can be interpreted in a variety of ways. The specific context of any one particular Board may lead them to different interpretations of the data, and we encourage all Boards to review and consider the findings of this report in light of their organization's unique context.

Two separate questionnaires were developed by our Office; one was distributed to all Board members, and the other to the selected senior management of each organization. Both questionnaires were translated so that respondents could complete the questionnaire in the language of their choice. A total of 692 questionnaires were distributed, with 470 completed questionnaires returned. This represents an overall response rate of 68%. Included in this total are 380 questionnaires completed by Board members (65% of total Board members) and 90 questionnaires completed by senior management (82% of total senior management). Our survey received adequate representation from both Board members and senior management of all except one of the 50 organizations. Given the high overall response rate, the findings can be seen to be generally reflective of Board members' and senior management's perspectives on governance at a particular point in time.

This study is not an audit, and no verification work was conducted of any organization's governance practices nor of the current functioning of any specific Board. Further, the survey was not an evaluation of the Boards, nor of the quality of the actual governance practices currently being utilized by any particular Board. Board members and senior management of the public sector organizations within our sample were asked to voluntarily complete the questionnaire based on their opinion and experiences serving on their current Board.

In order to ensure the confidentiality of respondents, our Office hired an independent research firm, Probe Research Inc., to distribute and administer the survey on our behalf. The survey was administered in June/July 2008, with appropriate follow-up procedures. Respondents who had any questions or comments with respect to completing the survey were invited to contact either Probe Research Inc., or our Office directly. Our analysis amalgamated all responses and all findings are reported at the aggregate level only. No data for individual Boards, nor for any individual respondent, is provided.

Full results to all survey questions are provided in **Appendix D** of this report. All graphs provided in this report are presented as percentages of respondents who agreed and agreed strongly with

Survey Methodology

the statements posed on the questionnaire. Where a negative response is of significance, it is provided in the written commentary. The agreement scale used on the questionnaire ranged from 1 to 5, as follows: 1 = Disagree Strongly; 2 = Disagree; 3 = Neither/Neutral; 4 = Agree; 5 = Agree Strongly. Responses to open-ended questions were categorized and the most common responses are provided, where applicable. Further, some of the commentary received from survey respondents is provided in the margins of the report; these are provided verbatim.

As a secondary phase to our study, our Office requested interviews with each of the 15 Ministers responsible for the 50 organizations included within our survey, to explore their roles and accountability expectations with respect to Board-governed public sector entities. Discussions were held with 10 Ministers (and various government officials at Minister's invitation) and where applicable, the findings are provided in the written commentary of the report. Our study did not include a review of the role of central agencies, nor of the Cabinet Committee on Agencies, Boards and Commissions, nor of Legislative Committees such as the Public Accounts Committee and Crown Corporations Committee.

Attributes of Effective Governance

Appendix C

Corporate governance can be most straightforwardly defined as *"the system by which an organization is directed and controlled"*.(1) Effective governance practices relate to how a governing body (most often, a Board of Directors) leads and oversees an organization. Regardless of whether the governing body is responsible for a private sector corporation, a public sector entity, or a not-for-profit voluntary organization, what each has in common is that a group of people have been elected or appointed to provide direction and control to an organization on behalf of others.

> *"Broadly speaking, corporate governance generally refers to the processes by which organizations are directed, controlled and held to account, and is underpinned by the principles of openness, integrity, and accountability. Governance is concerned with structures and processes for decision making, accountability, control and behavior at the top of organizations."*
>
> International Federation of Accountants (IFAC)

Governance is therefore a process of transformation, with people working together in specified relationships to enable effective decision-making. With its focus on the responsibilities and actions of a governing body, effective governance involves:

- **Setting Direction**: The aim toward which a Board steers itself and its organization.
- **People Working Together**: Board members exercising and expressing their attitudes, beliefs and value systems on matters pertaining to the mandate of the organization.
- **Structure and Processes**: The formal means used to achieve the aim, and to direct and manage an organization's operations and activities.

A literature review of leading practices in Board governance reveals a number of models and approaches for governance, all of which build upon the four pillars of good governance:

- **Stewardship** - As stewards, Boards act for others, have authority over their organization, and are trustees of the organization's mandate as well as its resources. A Board therefore is sovereign and has ultimate authority for its organization. As a result of this stewardship, a public sector Board needs to honour the trust that citizens have placed in it.
- **Leadership** – Governance fulfils a leadership function in society. Leadership is about the relationship between the governors and those governed. As leaders, Boards are expected to reflect the value system and priorities of the community from which they are drawn. Through the Board, individuals accept the challenge to develop positive relationships, ensure respect between parties, and build a sense of belonging in the group.
- **Responsibility** – Having a fiduciary responsibility, Boards are expected to manage the resources of the organization efficiently and effectively to accomplish the desired aim. Board members are expected to be reliable, and to allow appropriate factors and considerations to affect their judgement, including consideration of the effect of their decisions on others. They are also expected to devote the personal time and energy to ensure that governance is appropriate and adequate.
- **Accountability** - Boards are ultimately accountable for the actions of their organization. Accountability is the responsibility to answer for the discharge of responsibilities that affect others in important ways. It requires that Boards understand who is responsible for

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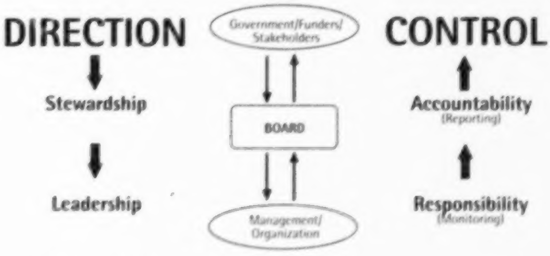
(1) London Stock Exchange Committee on the Financial Aspects of Corporate Governance, *Report of the Committee on the Financial Aspects of Corporate Governance (Cadbury Report)*, 1992.

Appendix C (cont'd.) Attributes of Effective Governance

what, what performance is to be achieved, and what information needs to be shared to ensure appropriate decision-making.



Source: Adapted from Brown Governance, Inc.

These four pillars underpin all the corporate governance activities and work conducted by the Board. The definition of governance encapsulates these four pillars, and regardless of the structure and governance approach selected by the Board to organize itself, the work of the Board must deal with each of these four pillars in order to be effective. Effective governance requires appropriate mechanisms be established by the Board to enable effective decision making, ensure clear accountability, and provide for regular review and assessment of management and operations. Although the specific practices, functions and activities of a Board will, and are expected to, differ based on the particular context of the organization, a Board's work must ensure that the key governance elements of setting strategic direction and providing corporate oversight (control) are performed.

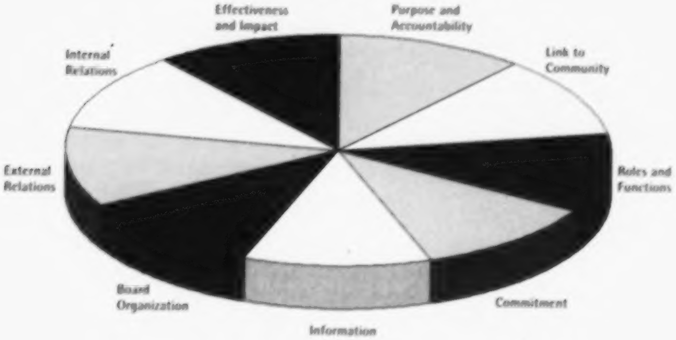
Governance issues most often occur because a Board has not spent adequate time on either of these key elements: **direction** (its stewardship and leadership responsibilities) or **control** (its accountability and oversight responsibilities). Our Office's past governance reviews in public sector organizations have found that most governance issues result from lack of Board attention or inadequate processes regarding the control function. While a Board's lack of involvement in strategic planning may have contributed to an issue, we found that, in most cases, lack of appropriate oversight and breakdowns in internal control mechanisms caused the most significant impacts.

Drawing on the four pillars of governance, and based upon a review of leading research, perspectives and practices of Board governance, we have identified a set of attributes that operationalize each of the four pillars. Incorporating both a structural and behavioural perspective to Board governance, these attributes represent the attributes of an effective Board and we believe that, in general, the more a Board fulfils each of these attributes, the more effective it is.

The attributes contained within our Model are generally found in all governance frameworks, regardless of the type of Board governance approach and specific practices adopted by a Board. Our Model was first introduced in our June 1998 Report to the Legislative Assembly, entitled *An Examination of Governance in Manitoba's Crown Organizations*, and re-examined in our October 2000 report, *An Examination of School Board Governance in Manitoba* and our January 2003 report, *An Examination of RHA Governance in Manitoba*. The findings of each of these governance studies indicate that the attributes of our Model of Governance are strongly supported by public sector Board members and Chief Executive Officers as reflecting a valid approach to effective Board governance. Given this common understanding, the attributes of the Model have been utilized as the basis and criteria for numerous governance reviews and examinations conducted by our Office. Each of the nine attributes of the Model are outlined in further detail below.

Attributes of Effective Governance

Attributes of an Effective Board



ATTRIBUTE 1: Purpose and Accountability

The first attribute of our model encapsulates both aspects of the definition of corporate governance: direction (purpose) and control (accountability). Regardless of the governance approach selected by the Board to organize itself, the work of the Board must deal with both overall purpose (strategic direction) and accountability issues (control and oversight). Governance issues most often occur because a Board has not spent adequate time on one or both of these aspects. Given this, the activities examined under this attribute may perhaps be the most important to ensuring effective governance in an organization.

Purpose (Direction)*:* A shared purpose and aim is vital for effective Board governance. By holding a purpose in common, a set of individuals coalesces into a group, a team → the Board. Hence, significant Board time and attention must be paid to organizational vision, mission, goals and priorities. Purpose is generally set forth in the mission and mandate (legislative authority) of an organization. However these formal goals are often vague and general in nature. Therefore debating the goals and identifying shared priorities are key activities in enabling a Board to add meaning and clarity to the shared aim. This clarity is often articulated in a documented strategic plan which allows both Board members and senior management to agree on the priorities which will enable the mandate and goals to be achieved.

Accountability (Control)*:* Associated with the Board's right to act is the responsibility to be accountable for what is accomplished. Boards are responsible for the direction of the organization and are therefore ultimately accountable for organizational performance and what is accomplished. Having been given the responsibility to act, a Board has an obligation to answer for its actions and therefore, effective governance requires a Board to be clear on to whom it is accountable, and for what. Lack of clarity in this area can inhibit a Board from ensuring that their accountabilities are well-managed and that their reporting obligations are met. Accountability information needs to be provided on a regular basis to all stakeholders, in an understandable and unbiased fashion. Open and transparent public reporting of how publicly funded organizations' activities and responsibilities have been carried out, is critical to ensuring public trust and confidence.

Appendix C (cont'd.) Attributes of Effective Governance

ATTRIBUTE 2: Rationale and Link to Community

A Board's legitimacy comes, in part, from it being comprised of individuals who have the appropriate mix of knowledge and skills, and who represent their stakeholders/community. By being representative of their stakeholders/community, Board members are perceived to reflect the desires, needs, values and perspectives of that community. This is what forms the link between the governors and those governed. Clarity as to whom a Board member represents, and on whose behalf they act, is therefore a fundamental component of effective governance.

Recruitment*:* The process of ensuring that a Board is comprised of people with the necessary knowledge, ability and commitment to fulfil their responsibilities is a key component to ensuring effective governance. When newly appointed to a Board, even the most experienced Board member should be provided with sufficient and appropriate orientation, as specific Board governance structures, processes, and activities can vary significantly from Board to Board. Further, training and developmental opportunities should be provided for Board members throughout their tenure, as competencies in key governance areas can vary. Research indicates that Board member competence in understanding financial statements is one of the most often overlooked aspects of Board orientation and training.

ATTRIBUTE 3: Board Roles, Responsibilities and Functions

Board literature generally ascribes three primary roles to a Board -- that of holding overall authority; that of providing feedback and commentary on the functioning of the organization; and that of representing and being an advocate for the organization. Each of these Board roles has different functions and expectations associated with it. As the ultimate authority, a Board provides leadership in setting the vision and strategic direction of the organization, and takes responsibility and accountability for the mandate and goals of the organization being achieved. As a constructive critic of the organization, a Board examines what has been accomplished or is being proposed, and provides feedback and commentary. As an advocate, the Board represents, advances, and celebrates the contributions of the organization to the community. These three roles each require quite different mindsets and behaviours. As what is required in one role may conflict with another, it is important for a Board to be clear on which role is being performed at any given time.

ATTRIBUTE 4: Level of Board Member Commitment

Effective Board governance requires commitment. Members of any Board need to commit both individually and as a group to the goals of the organization and the processes set in place for the Board to achieve them. Board governance literature often assumes that Board members will give to their Board all the time and energy that is needed for good governance. This assumption may not accurately reflect that the part-time position of Board member may conflict with other salient responsibilities (that of full-time career, family and parental duties, other volunteer commitments, etc.). Moreover, it does not recognize the composition of the Board as a group, in which some members may not see that their contribution of time and energy makes a difference, and thus, may leave the actual work of governance to others.

ATTRIBUTE 5: Information for Decision-making

Information is the key contributor to effective decision-making by the board. Board members have a duty to demand and expect quality information, on a timely basis for decision-making. Information is often assumed to be neutral and unbiased; it is not. Information is developed and

Attributes of Effective Governance

perceived through particular views and paradigms. It is generally prepared for a specific purpose that needs to be kept in mind when interpreting the information. There are two major strategies used to counteract these limitations with information. The first is to involve several people in a decision. Thus, through the various individuals on a Board, different perspectives are brought together in decision-making, which balances the sole perspective of any one decision-maker. The second is to have more than one source of information. Multiple sources of information may serve to counteract any distortion that exists in a single source. Our past surveys have found that utilizing external sources of information that is prepared independent of management, is one of the key areas that distinguishes high-performance Boards.

ATTRIBUTE 6: Board Organization

To do its job effectively, a Board needs to be well organized with the appropriate processes and structures in place to accomplish its goals. This includes structural components such as the size of the board; adopting and following appropriate by-laws; the number of meetings held per year; and having an adequate number of board committees with clear mandates in place to facilitate the work of the board. It also includes behavioural components such as the board culture and team dynamics. Board culture is often defined as the capacity of board members to work well together in order to advance the aim and goals of the organization. An appropriate board culture is one in which all board members feel free to participate, contribute, and challenge assumptions without hesitation, and where conflicts are resolved in a timely manner.

ATTRIBUTE 7: External Board Relationships

Ensuring effective communication, consultation and collaboration with external stakeholders is an important component of good governance and a critical board function. A Board never operates in isolation. While a Board is generally independent and autonomous, it is also interdependent with its community and the context within which it operates. There is a need for Boards to understand their environment and the other actors, stakeholders, and competitors in the system. Significant external relationships for a Board include its clients, its funders, any partners or service providers, as well as the public.

Relationship with Government: Public sector Boards are especially impacted by their relationship with government. They are usually dependent, to some extent, on government for resources, and may be required to take direction and/or implement policy directives and standards specified by government. The ultimate authority a public sector Board has for its organization can be impacted if this key Board relationship is not carefully managed. Balancing this interdependence with government, with the independence of the Board, is an critical aspect of effective Board governance in the public sector.

ATTRIBUTE 8: Internal Relationships

The relationship between a Board and its senior executive management (generally a Chief Executive Officer) is one of the most important internal relationships for a Board. The senior executive acts, in most cases, as the main conduit of information between the administration and the Board. S/he generally sits at the apex of the management team, and is responsible for the implementation of the Board's decisions. While a Board member's position is part-time and for a specified term, the senior executive's position is full time, permanent and a source of professional prestige and livelihood. Although the Board, as ultimate authority, hires and evaluates the senior executive, that person accrues power from his/her greater knowledge of the functioning of the

Appendix C (cont'd.) Attributes of Effective Governance

organization, his/her awareness of its history, and through peer relationships built over time. As such, the senior executive (CEO) is a key contributor to any organization's success.

The Board form of governance assumes that, as the Board has ultimate authority, any authorities not specified by the Board is retained by the Board, who can then decide to delegate it, when and as the situation warrants. If these residual authorities are perceived to automatically fall to the authority of the senior executive, an erosion in the Board form of governance may be perceived to occur. It is important, therefore, that there be clarity in the allocation and sharing of power and authority between a Board and its senior executive.

ATTRIBUTE 9: Board Effectiveness and Impact

All of the foregoing attributes integrate to create the overall contribution of the Board to its organization: the contribution of good governance. Determining the effectiveness of a Board has been the subject of much research, but no objective indicators of board effectiveness have been developed. As such, the standard approach is to ask Board members to self-assess their perception of the Board's effectiveness. However, the limitation with this approach is that it is strictly a value-judgement made by those directly involved, and research studies have indicated that people, in making such value-judgements of their own effectiveness, are largely overconfident.

To move beyond self-assessments of effectiveness, our Office's Model of Governance attempts to examine how a Board actually impacts, or makes a difference to, the organization for which it is responsible. To do this, some Board evaluations use policy creation as a measure of impact. However, this 'policy perspective' does not provide a unique activity upon which to assess Board effectiveness, as many different parts of an organization are involved in the development and implementation of Board policy. Boards do, however, specifically make decisions. Hence, the Model of Governance defines the Board's service to its organization as its decisions. The impact of the Board's decisions is deemed to be the Board's desired outcome for the organization. For this reason, in the final analysis, the role of the Board can be viewed as the exercise of informed judgement. This will very likely involve making some modifications to the proposals and plans of execution brought to the Board from management, and may involve the courage to say 'no'. As such, a proxy indicator for this attribute is the extent to which the Board did, as necessary, change the recommendations made by management.

Board members generally believe that their Board is effective when their organization is effective and performs well. However, Board effectiveness must be differentiated from organizational effectiveness and it should not be assumed that a Board is effective when its organization achieves success, nor conversely, that a Board is ineffective if its organization experiences difficulties. Distinguishing Board effectiveness from organizational performance necessitates that a Board be clear on its desired outcomes and that it establish objective measures to evaluate the Board's unique contribution.

Data Tables

Appendix D

he following data tables list the survey statements as they were worded on the Board Members' questionnaire. Some statements were lightly reworded and/or omitted from the questionnaire completed by senior management.

n previous governance reports, we have presented survey results in relation to our Model of Governance, hence for ease of omparison, the data tables in this report maintain this approach. Further, we have provided the comparable results from our 1998 urvey in shaded italics, and have indicated with an asterisk (*) any statements that were slightly reworded in the 2008 survey.

Note that percentages may not add up to 100 due to rounding.

ttribute #1: Purpose and Accountability

Setting Direction	**Mean**		**Board Members (BM)**			**Executive (Exec)**		
			Disagree/ Disagree Strongly	**Neutral**	**Agree/ Agree Strongly**	**Disagree/ Disagree Strongly**	**Neutral**	**Agree/ Agree Strongly**
	BM	**Exec**	**%**			**%**		
The Board has a clear understanding of its legislated mandate.	3.9	3.8	7	12	82	6	20	74
The goals of this organization are important to me personally.	4.7	4.8	1 *-*	2 *-*	98 *100*	- *-*	2 *-*	98 *100*
The priorities of this Board shift as new members are appointed.	2.1	2.6	74 *64*	18 *21*	8 *15*	65 *52*	6 *12*	28 *36*
This Board discusses the goals and mandate of the organization on a regular basis.	3.7	3.4	13 *7*	20 *5*	68 *88*	19 *4*	30 *8*	52 *88*
I feel some Board members do not clearly understand the goals/mandate of this organization.	2.6	3.0	56 *93*	20 *3*	23 *4**	37	29	34
The Board and management share a common view of the organization's priorities.	4.0	4.0	2 *2*	13 *7*	85 *92*	5 *8*	13 *4*	87 *88*
We often debate and deliberate over the organization's priorities.	3.3	3.1	25	26	49	37	22	41
The Board identifies annually specific performance objectives it expects the organization to achieve.	3.7	3.7	12 *20*	18 *20*	70 *61*	27 *44*	18 *12*	55 *44*
I am satisfied with the performance of the organization in achieving the goals established by the Board.	3.9	n/a	5	15	80	n/a	n/a	n/a
The Board is actively involved in setting strategic direction and priorities for this organization.	4.0	3.8	7	8	85	15	13	72
This Board does a good job of viewing issues strategically.	3.9	3.6	6	17	77	14	26	60
Some members of the Board are overly focused on operational issues rather han strategic ones.	2.7	3.2	53	24	23	29	29	43
am satisfied with the strategic planning process utilized by this Board.	3.8	3.7	10	15	75	15	19	66
he Board generally approves the strategic plan without many changes to nanagement's proposal.	3.1	3.5	31	28	41	15	27	58
ur strategic plan and priorities are revisited throughout the year, as ecessary.	3.7	3.7	12	13	75	14	17	69
he Board often refers to the strategic plan in making its decisions.	3.6	3.3	11	26	63	25	26	49
believe the Board is effective in communicating the organization's trategic direction and priorities with the community.	3.5	3.2	13	29	58	26	30	43
iven that overall public policy and expenditures are set by government, here is very little impact that the Board can have on the strategic plan.	2.5	2.4	61	15	24	66	13	21
iven that Board members are not technical/industry experts, it is difficult or the Board to have substantive input into the strategic/business plan.	2.3	2.7	70	17	13	54	19	27

Appendix D (cont'd.) Data Tables

Board Practices: **Strategic Planning**		Yes	No	Don't Know
A documented strategic plan exists.	*BM*	90	4	6
	Exec	90	8	2
The strategic plan is updated annually.	*BM*	77	13	10
	Exec	71	26	3
We hold an annual Board retreat to discuss strategic issues.	*BM*	61	33	6
	Exec	60	35	5
Specific time is set aside at Board meetings to deal with strategic planning issues.	*BM*	51	41	8
	Exec	54	39	7
Our strategic plan is publicly available on our website.	*BM*	47	12	41
	Exec	59	33	8
The Minister and/or Department is provided a copy of our strategic plan.	*BM*	73	5	23
	Exec	79	15	6
We get feedback from the Minister/Department on a timely basis regarding our strategic plan.	*BM*	35	17	48
	Exec	28	49	23

Risk Management	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
Risk management policies have been documented and approved by the Board.	3.7	3.3	10	26	65	26	23	51
Board is actively involved in the risk management process.	3.6	3.2	12	26	63	33	21	46
Our Board often asks risk-oriented, "what if" questions.	3.5	3.2	18	23	60	30	20	51
This Board does a good job of identifying and assessing the risks involved in meeting operational goals.	3.8	3.4	7	18	75	20	23	57
In my opinion, appropriate actions are taken to mitigate identified risks.	3.8	3.8	5	19	76	9	12	79
Overall I feel the Board is doing an adequate job of monitoring organizational risks (both internal and external).	3.8	3.5	8	19	74	23	16	62

Data Tables

Board Practices: Risk Management		Yes	No	Don't Know
A documented risk management process exists.	*BM*	57	8	35
	Exec	55	40	5
We review risk management issues as part of our strategic planning process.	*BM*	58	17	25
	Exec	61	31	8
Risk management issues are included periodically on our Board agenda.	*BM*	51	34	15
	Exec	51	41	8
Our Board has specified the scope and frequency of the risk reports we receive from management throughout the year.	*BM*	40	30	30
	Exec	29	61	11
Internal control policies have been documented and approved by the Board.	*BM*	67	8	26
	Exec	70	25	7

IT Governance	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
IT plays an important and critical role in achieving our organization's mandate.	3.8	3.9	7	24	69	8	13	79
I am satisfied with the information the Board receives on IT-related matters.	3.4	3.4	16	30	54	17	26	57
The Board is regularly briefed on IT-related matters.	3.2	3.0	26	29	45	37	27	36
I feel comfortable in my understanding of the IT-related issues this organization faces.	3.4	n/a	18	30	52	n/a	n/a	n/a

Board Practices: IT Governance		Yes	No	Don't Know
An IT strategic plan has been developed.	*BM*	42	10	47
	Exec	60	35	6
T strategic plan has been tied into the organization's overall strategic plan.	*BM*	39	10	51
	Exec	49	41	11
T risks have been identified and assessed.	*BM*	48	12	40
	Exec	68	25	7

Appendix D (cont'd.) Data Tables

Accountability	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
The accountability requirements of this Board are clearly understood by all Board members.	3.7	3.5	10	22	68	14	29	58
I feel most accountable to the government for the impact of my decisions.	2.9	n/a	42	30	28	n/a	n/a	n/a
I feel most accountable to the community for the impact of my decisions.	3.9	n/a	6	18	76	n/a	n/a	n/a
I feel most accountable to the employees for the impact of my decisions.	3.0	n/a	36	32	32	n/a	n/a	n/a
This Board is accountable for all actions of the organization.	3.9	3.6	8 *1*	14 *5*	79 *94*	13 *4*	18 *4*	68 *92*
At the end of the day, government is most responsible and accountable for this organization to the citizens of Manitoba.	3.6	3.4	18	21	62	24	22	54
Ultimately, our CEO is more accountable for the effectiveness of this organization than we are as Board members.	2.8	3.4	48	20	32	24	20	56
The shared authorities between our Board and government lead to ambiguities in our role.	3.0	3.1	39 *49*	29 *23*	32 *28*	33 *56*	25 *12*	42 *32*
This Board has been unfairly held accountable for decisions made by the Minister and/or other government bodies.	2.6	2.6	54 *36*	27 *19*	19 *46*	54 *48*	28 *28*	18 *24**
Management does a good job of measuring organizational performance on a variety of indicators.	3.8	3.7	7	17	77	14	20	66
Performance information provided to the Board by management is relevant and in a form that helps us with decision-making.	3.9	3.9	5	15	80	6	15	80
I feel this Board does a good job of reporting organizational performance publicly.	3.8	3.6	6	22	73	14	18	68
Our annual report expressly indicates our goals and reports our achievements against those goals.	4.0	3.9	3	12	85	12	9	79
The information this Board provides to the public is sufficient to allow for an evaluation of organizational performance.	3.7	3.5	9 *6*	24 *15*	67 *79*	18 *-*	17 *8*	65 *92*
The accountability requirements and reporting obligations to the Minister and/or Department are clear.	3.7	3.5	10	18	73	12	28	60
Overall I feel this Board adequately fulfils its accountability to the Minister.	4.1	3.9	1	10	90	3	20	78
This Board ensures appropriate and understandable accountability information is provided to all stakeholders, including the public.	3.8	3.6	6 *4*	20 *17*	74 *79*	13 *8*	17 *20*	70 *72**

Board Practices: Public Reporting		Yes	No	Don't Know
Our strategic plan is publicly available on our website.	*BM*	47	12	41
	Exec	59	33	8
Our annual report and financial statements are publicly available on our website.	*BM*	65	5	30
	Exec	80	15	6
Our annual report provides both financial and non-financial performance information.	*BM*	88	3	9
	Exec	93	7	-

Data Tables

Attribute #2: Rationale and Link to Community

Representation and Appointment Process	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
The key stakeholders to the organization, including government, are appropriately represented on this Board.	3.7	3.5	12	20	68	23	24	54
It takes too long to fill vacant Board positions when they arise.	2.8	3.4	48 55	22 20	30 25	29 44	21 32	50 24*
Overall, I am satisfied with the current method of appointing new members to this Board.	3.4	2.9	23	23	55	44	21	35
In appointing members to this Board, the government consults with the Board on required qualifications and skills.	2.7	2.5	41 48	38 31	22 21	57 46	24 33	19 21
We have identified the skillsets required on this Board and when vacancies arise, we provide government a list of preferred skills in future members.	3.0	3.3	32 33	33 28	35 40	25 42	24 21	51 38*
The length of a Board member's term of service is appropriate.	3.8	3.8	10	13	77	11	19	71
This Board has had an excessive amount of turnover.	2.1	2.1	77	16	7	79	13	8
Some Board members have been on this Board for too long.	2.4	2.5	70	18	18	63	13	24
The current composition of Board members brings the necessary skills and experience to lead this organization effectively.	3.7	3.3	13	14	73	29	21	50
There are members of this Board who are not qualified to be on the Board of this organization.	2.4	3.1	61	22	18	34	31	35
I often rely on the expertise (financial, legal, IT, etc.) of other Board members in making my decisions.	3.6	3.6	14	21	65	10	23	67
I sometimes feel uncomfortable that other Board members are relying on my professional skills/qualifications in making their decisions.	2.2	n/a	72	20	8	n/a	n/a	n/a

Board Characteristics (Board Members)	Mean		Importance (I)			Extent (E)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	I	E	%			%		
Experience in a related industry/sector.	4.0	3.7	6	18	76	10	27	62
Knowledge of government and public sector.	3.9	3.7	5	21	74	6	31	62
Representative of community demographics/diversity.	4.1	3.9	7	13	80	7	23	70
Prior Board experience.	3.6	3.7	13	26	61	8	33	59
Representative of a special interest/stakeholder group.	2.9	3.2	37	29	34	24	34	43
Financial expertise (CA, CMA, CGA, etc.).	3.7	3.4	11	27	61	20	33	48
General business/management expertise.	3.8	3.6	10	19	72	11	28	60
Legal expertise.	3.3	3.0	23	31	46	34	36	31
IT expertise.	3.0	2.7	32	38	31	40	40	21
Known political affiliation.	2.1	2.8	66	20	14	39	28	33
Leadership skills.	4.3	3.9	1	8	92	5	21	74
Representative of community values/ethics.	4.3	4.0	4	10	87	5	16	79

Appendix D (cont'd.) Data Tables

Board Characteristics (Executive)	Mean		Importance (I)			Extent (E)	
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral
	I	E	%			%	
Experience in a related industry/sector.	3.9	3.3	3	21	76	22	34
Knowledge of government and public sector.	3.8	3.4	7	19	74	14	39
Representative of community demographics/diversity.	3.9	3.9	8	18	71	6	26
Prior Board experience.	3.7	3.5	12	23	84	9	41
Representative of a special interest/stakeholder group.	2.7	3.4	54	14	33	23	27
Financial expertise (CA, CMA, CGA, etc.).	4.1	3.1	6	19	75	35	29
General business/management expertise.	4.1	3.3	5	16	80	26	32
Legal expertise.	3.5	2.7	13	36	51	46	25
IT expertise.	3.0	2.1	28	39	33	66	29
Known political affiliation.	2.0	3.3	69	19	12	23	30
Leadership skills.	4.3	3.4	2	5	93	12	43
Representative of community values/ethics.	4.0	3.9	4	17	79	5	24

Rank order of top three interests you feel you represent on your Board	Primary Interest	Secondary Interest	Third Interest
The citizens and taxpayers of Manitoba as a whole.	24	19	26
The clients/users of the organization's services.	23	31	16
The organization itself.	21	19	20
A geographic region or specific community.	16	10	8
The employees and staff of the organization.	2	7	18
A particular special interest or stakeholder group.	9	8	5
A political party and/or the Minister.	4	5	7

Data Tables

Values	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
On this Board, I am expected to reflect the values and principles of my community.	4.2	4.2	6	11	84	5	9	86
This Board has clarified the values and principles that guide our decisions.	3.8	3.7	7 *7*	16 *17*	77 *76*	13 *12*	20 *12*	68 *76*
This Board does a good job of upholding the public's trust in this organization.	4.1	3.8	2	11	88	5	17	78
The actions and conduct of the Board demonstrates high ethical standards and sets an appropriate "tone at the top" for this organization.	4.2	4.1	2	9	89	2	15	83
The actions of senior management are consistent with the stated values and ethical conduct expected of all other employees.	4.2	4.3	1	8	90	-	5	95
I believe senior management has established an atmosphere of open communication and trust within the organization.	4.0	4.1	6	12	82	5	9	86
I am satisfied that all conflicts of interest, as well as related party transactions, are disclosed to the Board in a timely manner.	4.0	4.1	5	12	83	5	6	89
I'm not sure that all Board members are acting in the best interests of the organization.	2.3	2.7	72	14	14	53	18	30
I have on occasion felt uncomfortable with how a conflict of interest was handled on this Board.	2.3	2.3	76	15	10	72	14	14

Board Practices: Conflicts of Interest		Yes	No	Don't Know
A conflict of interest policy exists for the Board of Directors.	*BM*	80	3	18
	Exec	94	5	1
A conflict of interest policy exists for the organization and has been clearly communicated to all staff.	*BM*	86	2	12
	Exec	88	6	7
I signed a conflict of interest declaration form when I joined this Board.	*BM*	60	18	23
	Exec	55	14	31
We are required to update and sign the conflict of interest declaration form annually.	*BM*	29	42	29
	Exec	32	38	30

Appendix D (cont'd.) Data Tables

Orientation and Training	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
New Board members are appropriately oriented to the Board when appointed.	3.8	3.9	12	16	73	10	16	75
I knew a lot about this organization before being appointed to the Board.	3.3	n/a	29 *49*	22 *18*	49 *34*	n/a	n/a	n/a
We have been provided a tour of the organization and met key staff members.	4.0	4.0	11	6	83	10	7	83
New Board members are not required to fully participate for the first year they are on the Board.	2.0	2.0	82	11	6	81	17	3
I feel I have been provided with enough training opportunities to help me do the governance job required.	3.7	3.4	14	17	69	23	23	54
Government should provide greater governance training/capacity building opportunities for public sector Board members.	3.7	4.0	11	23	66	11	10	79
We do not have the resources to provide Board member training or attendance at industry-specific or governance conferences.	2.8	3.1	45	28	28	51	8	44
Most Board members would not take the time to attend industry-specific or governance training/conferences.	2.3	2.5	67	22	12	60	23	18

Board Practices: Orientation and Training		Yes	No	Don't Know
Did you have other public sector Board experience prior to being appointed to this Board?	*BM*	63	36	1
	Exec	n/a	n/a	n/a
After your appointment as Board member, did you receive an orientation?	*BM*	82	17	2
	Exec	n/a	n/a	n/a
If yes, how useful to you was the orientation provided by you?		Very -58	Somewhat -40	Not -2

Data Tables

Attribute #3: Board Roles, Responsibilities and Functions

Roles and Responsibilities	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
This Board has a manageable job.	3.9	4.0	4	13	84	5	7	88
My Board role and responsibilities have been consistent with my expectations at the time I was appointed.	3.9	n/a	11	12	78	n/a	n/a	n/a
I have sufficient information as to my duties, responsibilities, and potential liabilities as a Board member.	4.1	n/a	4	8	88	n/a	n/a	n/a
I am concerned that some Board members do not understand their role and responsibilities on the Board.	2.7	3.2	54	22	25	32	21	48
This Board is accountable for all actions of the organization.	3.9	3.6	8	14	79	13	18	68
As a Board member, I am primarily an advocate for this organization.	3.3	3.3	25	25	51	25	26	49
As a Board member, I primarily provide constructive appraisal of the organization's operations.	3.5	3.3	18	17	65	21	23	56
In reality, this Board's role is mostly perfunctory.	2.3	2.3	60	20	21	67	17	16

Board Functions (Board Members)	Mean		Importance (I)			Effectiveness (E)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	I	E	%			%		
Setting strategic direction/priorities for the organization.	4.7	4.0	1	2	97	6	19	75
Setting the significant policies by which the organization operates.	4.6	4.1	1	3	96	5	16	80
Ensuring government's policies, regulations, and/or directives are implemented.	4.3	4.1	3	12	85	3	15	83
Monitoring achievement of Board's strategic objectives.	4.5	4.0	1	4	96	5	18	77
Approving all significant business decisions for the organization.	4.2	4.0	7	12	81	7	19	75
Selecting and retaining the CEO.	4.6	4.3	2	4	94	6	9	86
Evaluating the performance of the CEO.	4.6	4.1	2	3	95	9	13	78
Bringing an external perspective to the organization's attention.	4.2	3.9	2	12	86	6	19	74
Ensuring the financial resources of the organization are managed in a prudent manner.	4.7	4.4	1	3	97	4	8	88
Ensuring effective IT systems are in place.	3.9	3.6	9	17	74	12	29	60
Ensuring effective internal control mechanisms are in place.	4.3	4.0	2	11	87	4	20	77
Collaborating effectively with external stakeholders and organizations.	4.3	3.9	3	11	87	6	23	72
Advocating on behalf of the organization, as required.	4.2	3.8	3	12	85	7	23	70
Ensuring all accountability obligations are met.	4.6	4.3	1	4	96	3	10	87
Providing input/advice to Minister on issues that affect the organization.	4.4	3.8	3	9	88	11	21	68

Appendix D (cont'd.) Data Tables

Board Functions (Executives)	Mean		Importance (I)			Effectiveness (E)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	I	E	%			%		
Setting strategic direction/priorities for the organization.	4.6	3.7	-	5	95	8	26	66
Setting the significant policies by which the organization operates.	4.4	3.8	5	8	87	7	25	68
Ensuring government's policies, regulations, and/or directives are implemented.	4.1	3.8	4	20	77	6	28	66
Monitoring achievement of Board's strategic objectives.	4.6	3.7	1	15	94	13	26	61
Approving all significant business decisions for the organization.	3.8	3.9	17	15	69	6	24	70
Selecting and retaining the CEO.	4.8	4.2	-	-	100	4	12	84
Evaluating the performance of the CEO.	4.7	4.0	-	2	98	10	21	70
Bringing an external perspective to the organization's attention.	4.1	3.8	-	21	79	5	27	68
Ensuring the financial resources of the organization are managed in a prudent manner.	4.6	4.1	-	1	99	5	16	79
Ensuring effective IT systems are in place.	3.5	3.2	17	29	54	18	46	35
Ensuring effective internal control mechanisms are in place.	4.4	3.9	1	7	92	7	24	69
Collaborating effectively with external stakeholders and organizations.	4.2	3.5	2	17	81	12	37	51
Advocating on behalf of the organization, as required.	4.2	3.7	1	12	87	8	28	64
Ensuring all accountability obligations are met.	4.4	4.0	1	8	91	5	19	76
Providing input/advice to Minister on issues that affect the organization.	4.3	3.6	4	7	89	13	32	56

Attribute 4: Level of Commitment

Personal Stake and Commitment	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
The goals of this organization are important to me personally.	4.7	4.8	1	2	98 100	-	2	98 100
Board members place their reputations at stake by agreeing to serve on a public sector Board.	4.0	3.6	8 70	16 13	76 18	16 68	20 12	64 20
I find the time commitment for this Board to be excessive.	2.4	n/a	65	22	13	n/a	n/a	n/a
Given my time commitments, I find attending meetings difficult.	2.2	n/a	77	15	8	n/a	n/a	n/a
Due to the time commitment for this Board, I had to give up other community/volunteer activities.	2.7	n/a	52	15	33	n/a	n/a	n/a
Attendance by Board members at Board meetings is a problem for this Board.	2.2	2.5	73 79	14 8	12 13	66 76	16 12	18 12
Attaining quorum has sometimes been an issue for this Board.	1.9	2.4	83	7	10	75	8	17
I feel appreciated and valued as a member of this Board.	4.1	4.1	4 3	12 14	84 83	6 -	12 -	83 -

Data Tables

Personal Stake and Commitment	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
I sometimes feel that being a member of this Board is a waste of my time.	1.9	n/a	85	5	9	n/a	n/a	n/a
I am satisfied with what has been accomplished since I've been on this Board.	4.0	n/a	4	12	84	n/a	n/a	n/a
It is important to me to be viewed by other Board members as doing a good job.	3.9	n/a	4 *4*	16 *12*	80 *84*	n/a	n/a	n/a
There are members of this Board who spend less time than is required to do an adequate job.	2.6	3.3	54 *46*	24 *23*	22 *31*	25 *48*	23 *20*	52 *32*
Work of the Board is distributed fairly amongst Board members.	3.6	3.3	12	20	68	25	19	57
I feel that in general everyone on the Board contributes equally.	3.3	3.0	24	23	53	35	30	35
I feel the per diem/stipend received for my involvement on this Board is adequate.	2.8	n/a	39	26	35	n/a	n/a	n/a
Taking all things into account, I feel the personal rewards I have received from being a Board member outweighs the costs/effort.	4.1	n/a	5 *6*	13 *13*	83 *81*	n/a	n/a	n/a
As a Board member of a public sector organization, my governance activity fulfils an important role in the community.	4.5	4.5	1	1	97	-	6	94
Overall, I am satisfied that my governance contribution through this Board makes a positive difference to my community.	4.1	4.0	4	9	87	5	19	77
I would serve for another term if asked.	4.1	n/a	8	9	83	n/a	n/a	n/a
Given all the new requirements and heightened liabilities for Boards of Directors, we are working harder than ever before.	3.9	3.8	8	23	70	8	26	66
The time commitment required to be a public sector Board member has increased substantially in recent years.	3.5	3.2	19	28	53	31	25	44
I have turned down Board positions because of the current climate and requirements for serving on a Board.	2.4	n/a	64	16	20	n/a	n/a	n/a

Attribute 5: Information for Decision-making

Board Information	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
Information currently provided to the Board: - Has an appropriate level of detail.	4.2	4.4	3 *5*	4 *7*	93 *89*	- *-*	1 *-*	99 *100*
- Is a complete and fair representation of all facts.	4.1	4.3	4 *7*	10 *15*	86 *79*	- *-*	4 *-*	96 *100*
- Is received in a timely manner for effective decision-making.	4.0	4.1	8 *9*	12 *7*	80 *84*	2 *-*	11 *-*	87 *100*
- Provides historical context to the issues being discussed.	3.8	4.1	7 *12*	24 *22*	70 *67*	1 *8*	10 *12*	89 *80*
- Gives future-oriented perspectives to the issues being discussed.	3.9	4.1	4 *8*	17 *15*	78 *78*	- *8*	12 *12*	88 *80*

Appendix D (cont'd.) Data Tables

Board Information	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
- Explains significant issues, changes, or problems which affect the organization.	4.1	4.2	3 7	10 11	87 81	- -	7 -	93 100
- Monitors performance and progress against plan.	3.9	4.0	5 8	17 17	78 75	4 8	23 17	74 75
- Allows the Board to use resources effectively and efficiently.	4.0	4.0	2 4	18 14	80 82	- -	16 -	84 100
- Is balanced, presenting both the positive and negative impact of a particular decision.	4.0	3.9	6	20	74	6	8	86
The Board assesses its information needs on a regular basis.	3.7	3.2	14	19	67	25	34	41
Overall, this Board is presented with the appropriate information for decision making.	4.2	4.2	1 3	8 3	91 94	2 -	5 -	93 100
Information that I am receiving is sufficient to enable me to participate in the decision-making of the Board.	4.1	n/a	4	12	85	n/a	n/a	n/a
Material required for Board meeting is pre-circulated to Board members in adequate time.	4.1	4.0	8 8	11 4	82 88	11 -	6 8	84 92
The amount of material that needs to be reviewed before Board meetings is sometimes overwhelming.	3.2	n/a	32 57	20 24	47 19	n/a	n/a	n/a
I often find the information received overly detailed for the Board's purposes.	2.4	n/a	68	22	10	n/a	n/a	n/a
Information provided to this Board is understandable without being over-simplified.	4.0	4.0	1	9	90	-	8	92
In making decisions, I am provided with several alternative courses of action from which to select.	3.3	3.5	20 15	36 22	44 63	13 8	30 12	57 80
I rarely ask for information beyond that provided to the Board.	2.7	3.1	54 71	17 14	29 15	34 26	23 8	43 16
Decisions sometimes have to be deferred or delayed due to lack of information.	2.9	2.6	40	29	31	60	19	22
I am generally satisfied with the advice and recommendations that I receive from senior management of the organization.	4.1	n/a	2	6	91	n/a	n/a	n/a
We almost always agree with management's recommendations.	3.5	3.6	13	24	63	10	27	63
We often challenge the assumptions and rationale behind the recommendations being made by management.	3.0	3.0	37	24	40	37	29	34
I am confident that management openly shares negative or difficult information with the Board.	3.9	n/a	8	10	81	n/a	n/a	n/a
We often get presentations from senior managers other than the CEO and CFO.	4.0	4.0	7	9	84	7	8	85
Senior management provides most information orally at meetings.	3.1	2.5	39	18	43	66	13	21
I sometimes feel decisions are pre-made prior to the Board meeting.	2.7	n/a	54	22	24	n/a	n/a	n/a
We sometimes are required to make an immediate decision on information that is received at the meeting itself.	3.0	3.1	41	20	40	32	26	42
On occasion, I have felt that the Board was pressured to make a decision too quickly.	2.6	2.4	59	18	24	69	14	16

Data Tables

Board Information	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
EXTERNAL SOURCES OF INFORMATION								
Overall, I am satisfied with the amount of external information received by the Board.	3.8	3.7	9	16	76	8	20	72
This Board avails itself of external advice or professional expertise when needed.	3.9	3.7	5	17	78	7	24	68
I am generally satisfied with the information that I receive from the Minister and/or Department with respect to this organization.	3.2	3.0	21	39	40	37	27	37
The Minister and/or Department provides the organization with appropriate information for this Board to do an adequate job.	3.2	3.2	19	38	43	24	38	38
Our Boards receives information from the Minister and/or Department in a timely fashion.	3.1	2.9	23	41	36	40	29	31

Board Practices: Information Sources		Yes	No	Don't Know
Does this Board use other information sources to provide information to it, independent from the reports it receives from senior management of the organization? (If yes, please specify.)	*BM*	97	1	1
	Exec	39	29	32
Is there any information you would like to receive but are not currently receiving from senior management of the organization? (If yes, please specify.)	*BM*	39	10	51
	Exec	n/a	n/a	n/a

Financial Management	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
Board is provided with sufficient financial reporting from management.	4.2	4.3	3	6	92	2	-	98
The Board receives regular reports on finances/budgets that are clear to me.	4.2	4.3	3	10	87	1	-	99
The budgets and financial statements are clear and appropriately explained to Board members.	4.1	4.2	3	9	88	1	2	97
Financial information provided to the Board allows us to fairly assess organizational performance.	4.1	4.3	4	11	84	2	6	92
Overall, I am satisfied with the financial planning process.	3.8	4.1	7	15	78	5	7	91
When budgeting, this Board allocates resources based on organizational performance.	3.3	2.8	20	35	45	49	19	32
I sometimes feel that we do not have enough time to discuss financial/ budget issues.	2.5	2.2	62	19	19	76	13	11
There are some Board members who do not have the financial competency to adequately review budgets and financial statements.	3.2	3.4	28	28	44	24	22	54
I expect the Finance Committee to conduct detailed reviews of the financial performance, and flag issues, as necessary.	4.1	n/a	1	7	92	n/a	n/a	n/a

Appendix D (cont'd.) Data Tables

Board Practices: **Financial Management**		Yes	No	Don't Know
Financial statements are approved by the Board.	*BM*	97	1	1
	Exec	100	-	-
The Board approves the annual budget.	*BM*	86	4	10
	Exec	99	1	-
The Board is provided with formal explanations from management to account for significant budget to actual variances.	*BM*	97	1	2
	Exec	99	1	-
Allocations of resources are linked to the organization's strategic plan.	*BM*	98	1	1
	Exec	80	16	5

Attribute 6: Board Organization

Board Structure and Approach	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
Our Board bylaws are appropriate and reviewed periodically.	3.9	3.9	8	13	80	10	16	73
There have been instances where Board by-laws have not been followed.	2.2	2.2	70	24	6	68	24	8
The Board has a process for handling urgent matters between meetings.	4.0	3.9	5	13	82	3	16	82
I am satisfied with the governance model, approach, or style that this Board has adopted.	3.9	4.0	11	10	79	7	11	82
Our Board develops an annual workplan to ensure all governance activities are fulfilled.	3.7	3.3	12	16	72	32	17	51
Our Board regularly reviews and updates its governance policies/manual.	3.8	3.6	12	16	72	20	20	61

Board Size and Meetings		Too Small/ Few	About Right	Too Big/ Many
In my opinion, our Board size is:	*BM*	5	85	10
	Exec	5	81	14
In my opinion, the frequency of Board meetings is:	*BM*	7	90	3
	Exec	1	83	15

Data Tables

Board Meetings	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
The number of Board meetings held per year is sufficient for this Board to be effective.	4.1	4.2	5 4	6 2	90 94	5 -	5 -	91 100
Attendance by Board members at Board meetings is a problem for this Board.	2.2	2.5	73 79	14 8	12 13	66 76	16 12	18 12
I prefer teleconference meetings, as a way to efficiently hold meetings.	1.9	n/a	83	14	3	n/a	n/a	n/a
There are members of this Board who spend less time than is required to do an adequate job.	2.6	3.3	54	24	22	25	23	52
Our meetings are short, efficient and usually end on time.	3.6	3.5	16	17	67	22	20	59
I am satisfied with the amount of time spent discussing issues/asking questions, rather than listening to presentations.	3.8	n/a	8	14	79	n/a	n/a	n/a
All Board members have the opportunity to express their views at Board meetings.	4.2	4.2	3 2	3 2	94 96	1 -	4 4	95 96
Ample time is devoted to discussion and consensus building at meetings.	4.0	4.0	7	9	84	3	10	88
On occasion, I have felt that the Board was pressured to make a decision too quickly.	2.6	2.4	59	18	24	69	14	16
Our agendas are carefully planned, based on the emerging needs and strategic issues of the organization.	3.9	3.8	5	17	78	6	15	79
Our Board meetings deal with too many trivial matters.	2.1	2.4	80	14	6	63	24	14
I am given an opportunity to add issues to the Board's agenda, as required.	4.0	n/a	6	7	87	n/a	n/a	n/a
Our Board Agendas are usually set by the CEO.	3.1	3.2	34	26	40	33	11	56
The volume of our agendas forces us to move through items overly quickly.	2.5	2.4	63	21	16	73	14	14
We use a consent agenda to speed up our meetings so we can focus on key issues requiring debate.	2.7	2.8	44	29	27	46	31	24
In camera sessions are a standard agenda item and occur at almost all meetings, even if only briefly.	3.3	3.3	37	10	53	37	7	56
As senior management, I am sometimes uncomfortable with the Board holding in-camera sessions.	n/a	2.0	n/a	n/a	n/a	84	10	6
Our Board almost never meets without management present.	3.7	3.7	19	7	74	20	1	79
Minutes are prepared in a timely manner.	4.2	4.2	4	4	92	4	1	95
Minutes of Board meetings accurately reflect the proceedings.	4.2	4.2	4	6	91	-	6	94
Changes and amendments to the minutes are extremely rare.	3.8	3.9	8	14	78	7	8	85

Appendix D (cont'd.) Data Tables

Board Culture	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
Overall, this Board works well together as a team.	4.2	4.0	2 *3*	9 *5*	88 *92*	7 *12*	17 *4*	76 *84*
Most Board members participate in the discussion at Board meetings.	3.7	3.6	15 *13*	12 *9*	73 *78*	15 *24*	20 *4*	65 *72*
There is a willingness around the Board table to engage in rigorous debate.	3.7	3.8	10	15	75	7	22	70
This Board never hesitates to ask the tough questions.	3.9	3.8	7	15	79	10	16	74
Given the complex nature of some of the issues this Board deals with, I sometimes hesitate to ask questions.	2.1	n/a	83	6	11	n/a	n/a	n/a
I would say that a few members dominate the majority of the discussion at our Board meetings.	2.8	3.0	48	25	27	46	11	43
I feel that I have less influence over Board decisions than do other Board members.	2.2	n/a	74	15	10	n/a	n/a	n/a
I sometimes feel there are hidden agendas amongst some Board members.	2.5	2.8	63	18	19	49	21	30
Polarized factions exist on our Board.	2.2	2.4	70	20	10	63	21	17
Our Board doesn't have many opportunities to get to know each other outside of Board meetings.	3.1	n/a	36	19	46	n/a	n/a	n/a
I feel comfortable taking an opposing view from others at a Board meeting.	4.0	3.8	7 *3*	7 *4*	87 *93*	6 *4*	17 *8*	77 *88*
I believe having opposing views on the Board enhances the discussion and contributes to the decisions made by the Board.	4.1	4.1	2	10	88	4	6	90
Opposing viewpoints on this Board makes decisions difficult.	2.1	2.3	82	12	7	74	17	10
There are often a lot of differences of opinion on our Board.	2.8	2.8	44	33	23	47	25	28
This Board is unable to resolve conflicting positions.	2.0	2.2	87 *85*	11 *7*	2 *8*	77 *84*	17 *8*	16 *8*
Almost all Board decisions are approved unanimously.	3.9	3.9	9	8	83	9	8	84
Once a decision has been made, the Board puts any differences aside and assumes collective responsibility for that decision.	4.2	3.8	3	6	91	10	17	74
This Board has a difficult time reaching consensus on a decision.	2.0	2.1	89	8	3	78	21	1
I do not hesitate to vote against motions or proposals that I disagree with.	4.0	3.6	6	10	84	9	26	65
I will abstain from a decision when I disagree with the vote of the Board.	2.6	2.7	61	12	27	52	23	25
At the end of the day, I always vote my conscience on an issue, even if it means standing alone.	4.1	n/a	4	10	86	n/a	n/a	n/a

Data Tables

Role of the Chairperson	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
Our Chairperson does a good job of facilitating the Board meetings.	4.3	4.2	3	7	91	7	7	86
Our Chairperson sets a professional business and ethical tone.	4.4	4.4	1	4	94	-	6	94
Our Chairperson is a strong leader, but not overly powerful or intrusive.	4.1	4.0	5	10	85	13	10	77
Our Chairperson ensures the business of the Board is being appropriately conducted.	4.4	4.3	2	4	93	2	7	91
The Chair helps to build cohesiveness within the Board.	4.0	3.9	5	13	83	5	16	79
Our Chairperson often asks for clarification of positions, in order to ensure understanding.	3.7	3.8	4	19	77	8	13	80
Our Chairperson probes silent members for their opinions on key issues.	3.1	3.2	33	24	43	29	21	49
Our Chairperson does a good job of resolving conflict and achieving consensus on the Board.	3.9	3.9	4	19	77	6	12	82
Our Chairperson prefers that disagreements are discussed with him/her privately prior to the meeting.	2.3	2.4	66	25	8	57	35	8
I sometimes feel that the Chairperson is overly influenced by management.	2.4	n/a	69	17	15	n/a	n/a	n/a

Board Committees	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
I believe we have too many Committees.	2.1	2.4	75	19	6	61	16	13
I feel that some of our Committees do not reflect the current needs of the organization, and are just in place because it's "always been done that way".	2.1	2.4	72	18	9	69	16	15
The process for selecting Committee members is appropriate.	3.6	3.8	12	22	66	7	20	73
I was satisfied with the training provided to me in regards to the work of my Committee(s).	3.5	n/a	15	30	55	n/a	n/a	n/a
The mandate and authority of each of Committee has been clearly articulated, and is reviewed periodically.	4.0	4.1	6	11	83	10	7	83
There is some confusion between the authority of this Board and the authority of committees.	2.2	2.4	75	15	10	70	12	18
There is an appropriate relationship between Committees and staff of the organization.	3.9	3.9	6	16	78	9	14	77
All Committees have Charters/terms of references that have been approved by the Board.	3.9	4.0	7	18	75	9	9	81
Our committees meet too often.	2.0	2.4	84	14	2	69	22	10
Committee meetings are overly long.	2.2	2.4	72	26	3	63	27	10
Committee meetings are held far enough in advance of Board meetings.	3.6	3.8	14	24	62	9	23	68
The Chairperson of the committee that I am on is doing a good job of facilitating meetings and ensuring duties are fulfilled.	3.9	3.8	4	21	75	10	17	73
I am satisfied with the information the Board receives from its Committees.	4.0	4.0	3	13	84	6	11	83
The Board is regularly briefed on Committee matters.	4.3	4.3	1	4	94	3	4	94

Appendix D (cont'd.) Data Tables

Board Committees	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
The Board relies on the decisions made by its Committees and does not often revisit those issues.	3.4	3.5	21	23	56	20	27	53
I expect the Finance Committee to conduct detailed reviews of the financial performance, and flag issues, as necessary.	4.1	n/a	1	7	92	n/a	n/a	n/a

Board Practices: Board Committees		Yes	No	Don't Know
Our Board creates special or adhoc committees to deal with specific or emerging issues.	*BM*	53	29	18
	Exec	50	40	10
Our Board conducts a formal evaluation of the performance of each of its committees.	*BM*	17	55	29
	Exec	18	67	16

Please check all the Board Committees that have currently been established by your Board:
Executive Committee – 59%
Audit Committee – 57%
Governance Committee – 31%
Strategic Planning Committee – 25%
HR Committee – 22%
Nomination Committee – 21%
Compensation Committee- 6%
IT Governance Committee -1%
Others: - Finance Committee- 16%
- Policy Committee – 15%
- Community Relations/PR Committee – 11%
- Investment Committee – 5%

Data Tables

Board Practices: Audit Committees		Yes	No	Don't Know
Audit Committee meetings are sufficient in length to adequately fulfill its responsibilities.	*BM*	70	2	28
	Exec	96	3	1
The Audit Committee reports regularly to the Board.	*BM*	93	2	5
	Exec	96	3	1
Orientation and training is provided to Audit Committee members.	*BM*	32	30	38
	Exec	44	38	18
The Audit Committee approves and monitors policies for financial reporting.	*BM*	82	6	11
	Exec	78	21	1
The Audit Committee reviews management's framework for internal control.	*BM*	70	7	24
	Exec	73	25	3
The Audit Committee has established a process to receive and investigate complaints (e.g., Formal whistleblower policy).	*BM*	45	17	38
	Exec	45	44	11
The Audit Committee meets with the external auditor without management present.	*BM*	57	16	26
	Exec	67	29	4
Audit Committee holds management accountable to act on the recommendations of the audit reports (both external and internal).	*BM*	81	1	18
	Exec	95	3	3
Audit Committee approves the Internal Auditor's annual workplan and reviews scope of audits.	*BM*	60	6	33
	Exec	81	12	7
The Audit Committee conducts a formal evaluation of its performance in fulfilling its mandate.	*BM*	38	25	37
	Exec	21	56	23
Time required to fulfill Audit Committee functions is excessive.	*BM*	3	60	37
	Exec	4	86	10

Appendix D (cont'd.) Data Tables

Attribute 7: External Relationships

Relationship With Government	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
The Board has a clear understanding of its legislated mandate.	3.9	3.8	7	12	82	6	20	74
Our Board has the authorities required to govern this organization effectively.	3.8	3.9	14	12	74	14	7	79
I feel our Board is overly constrained by government legislation and/or regulations.	2.8	2.7	49 54	28 27	23 19	54 56	23 20	24 24
The shared authorities between our Board and government lead to ambiguities in our role.	3.0	3.1	39 49	29 23	32 28	33 56	25 12	42 32
This Board is not independent enough of government to make effective decisions.	2.6	2.8	57	24	20	49	24	27
Government does not overly interfere in the affairs of this Board and organization.	3.5	3.4	14	26	60	21	13	66
I believe that government will take action if the Board acts in a manner that is inconsistent with its mandate.	3.8	3.7	7	15	78	3	28	69
The Board has a clear picture of government's public policy objectives with respect to this organization.	3.6	3.5	13	21	66	16	24	54
Sometimes, the public policy initiatives that the government expects the Board to undertake are not compatible with our operational performance objectives.	3.0	3.2	33 20	31 31	36 49	31 24	26 24	43 52
The Minister and/or Department provides this Board with a consistent message about government expectations.	3.3	3.0	22 30	32 21	47 49	33 40	34 28	33 32
The vision and strategic direction of organization are aligned with those of government.	3.6	3.7	8 21	30 24	62 55	6 –	28 28	66 72
The Minister/Department often make decisions without adequately understanding the impact on our organization.	3.1	3.2	34	29	37	33	24	43
We have been proactive in trying to assist the Minister/Department in understanding our issues and funding needs.	4.0	4.2	4	14	82	3	3	95
This organization has sufficient influence over provincial policy decisions that affect us.	2.8	2.6	39	34	27	54	31	15
I feel most accountable to the government for the impact of my decisions.	2.9	n/a	42	30	28	n/a	n/a	n/a
The accountability requirements and reporting obligations to the Minister and/or Department are clear.	3.7	3.5	10	18	73	12	28	60
Overall I feel this Board adequately fulfils its accountability to the Minister.	4.1	3.9	1	10	90	3	20	78
This Board has been unfairly held accountable for decisions made by the Minister and/or other government bodies.	2.6	2.6	54 36	27 19	19 46	54 48	28 28	18 24
Overall, I feel this Board has a very effective relationship with the Minister/ Department.	3.5	3.4	12	34	53	18	32	50
The Minister and/or Department provides the organization with appropriate information for this Board to do an adequate job.	3.2	3.2	19	38	43	24	38	38
I am generally satisfied with the information that I receive from the Minister and/or Department with respect to this organization.	3.2	3.0	21	39	40	37	27	37
Our Boards receives information from the Minister and/or Department in a timely fashion.	3.1	2.9	23	41	36	40	29	31

Data Tables

Appendix D (cont'd.)

Relationship With Government	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
I am satisfied with how often the Minister meets directly with out Board.	2.6	2.6	49	26	25	53	16	30
I would say the relationship between government and this Board/ organization is improving.	3.5	3.4	7	35	57	3	55	43

Board Practices: Communication with Government		Yes	No	Don't Know
The Minister and/or Department is provided a copy of our strategic plan.	*BM*	73	5	23
	Exec	79	15	6
We get feedback from the Minister/Department on a timely basis regarding our strategic plan.	*BM*	35	17	48
	Exec	28	49	23
The Board provides the assessment of its effectiveness to the Minister.	*BM*	17	31	52
	Exec	17	49	33

Crown Corporations Council	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
Crown Corporations Council has built a positive working relationship with our organization.	3.4	3.4	18	26	57	25	-	75
I am not very familiar with the role of Crown Corporations Council in relation to our Crown.	2.5	2.1	64	21	15	73	13	13
The work of Crown Corporations Council enhances the accountability of this Board to government.	3.3	3.0	23	26	51	33	20	47
The contribution of Crown Corporations Council makes an appreciable difference to our business practices or operations.	3.1	2.6	26	38	36	44	25	31
Our Board agrees with the Corporate Performance Reviews conducted by Crown Corporations Council on this Crown.	3.5	3.7	8	46	46	7	14	79
I find the guidance and advice provided by Crown Corporations Council to be helpful and useful to the functioning of this Board.	3.3	3.0	21	28	51	36	14	50
Overall, Crown Corporations Council has helped to improve the governance of this Crown overall.	3.2	2.9	18	44	39	38	6	56

Appendix D (cont'd.) Data Tables

External Relationships	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
I feel most accountable to the community for the impact of my decisions.	3.9	n/a	6	18	76	n/a	n/a	n/a
I believe our Board adequately considers the interests of all key stakeholders in making its decisions.	4.0	4.0	3	10	87	-	12	88
I believe the Board is effective in communicating the organization's strategic direction and priorities with the community.	3.5	3.2	13	29	58	26	30	43
I am confident that the level of community consultation provides the Board with an understanding of what Manitobans want for this organization.	3.2	3.5	13	31	56	14	26	60
This Board ensures appropriate and understandable accountability information is provided to all stakeholders, including the public.	3.8	3.6	6	20	74	13	17	70
The public does not adequately understand the mandate of this organization, and the issues which it faces.	3.2	3.3	29	24	47	32	14	54
As a Board member of this organization, I feel pressure from too many groups with conflicting views.	2.2	2.7	71 *38*	20 *21*	9 *42*	52 *40*	23 *20*	25 *40*
Public pressure sometimes forces our Board to make decisions we would not otherwise make.	2.4	2.9	65	18	17	48	17	35

Attribute 8: Internal Relationships

Board – Management Relationship	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
The Board has a productive relationship with senior management.	4.1	4.2	2	8	90	1	6	93
The Board has an appropriate level of involvement with the organization and its staff.	3.9	3.9	6	12	81	8	7	85
The Board and Management share a common view of the organization's priorities.	4.0	4.0	2	13	85	5	13	87
Our CEO does a good job of advising the Board about issues or challenges being faced by the organization.	4.3	4.4	3	11	87	1	3	96
I am confident that management openly shares negative or difficult information with the Board.	3.9	n/a	8	10	81	n/a	n/a	n/a
We convene special meetings so that the Board is actively involved in resolving critical issues facing the organization.	3.4	3.4	21	23	56	21	20	59
This Board becomes too involved in day-to-day management decisions.	2.0	2.4	87 *81*	9 *9*	4 *10*	67 *72*	14 *4*	19 *24*
Any authorities (powers) not specifically those of the Board fall within the authority of the CEO.	3.6	4.0	11 *13*	23 *26*	65 *62*	3 *12*	14 *12*	84 *76*
I do not feel it is right for me to second guess the decisions made by senior management of the organization who are experienced professionals.	2.3	n/a	71	15	14	n/a	n/a	n/a
The decisions of the Board are excessively influenced by the CEO.	2.3	2.4	70	18	12	67	19	14
We often challenge the assumptions and rationale behind the recommendations being made by management.	3.0	3.0	37	24	40	37	29	34

Data Tables

Appendix D (cont'd.)

Board – Management Relationship	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
This Board is often simply ratifying decisions already made by the CEO and senior management.	2.5	2.4	65	15	20	62	25	13
I sometimes feel that the Board can't reverse decisions that were pre-made by management prior to the Board meeting.	2.4	n/a	69	15	16	n/a	n/a	n/a
Ultimately, our CEO is more accountable for the effectiveness of this organization than we are as Board members.	2.8	3.4	48	20	32	24	20	56
I can think of an instance where the CEO has not acted in accordance with a decision of the Board.	2.0	1.7	83	8	9	88	7	5
HIRING AND EVALUATION								
The Board has the authority to hire and/or fire the CEO.	3.9	4.1	13	11	76	13	4	83
The accountability relationship of the CEO to the Board is difficult as the CEO is appointed directly by government.	2.1	1.9	79	11	10	80	11	9
The Board has a specific process and criteria for recruiting and appointing a CEO.	3.7	4.1	14	22	65	13	25	62
We have sufficient flexibility to compensate our CEO appropriately.	3.6	3.5	15	21	64	26	8	67
Overall, I am satisfied with the Board's current relationship with its CEO.	4.3	n/a	3	6	91	n/a	n/a	n/a
I am generally satisfied with the advice and recommendations that I receive from senior management of the organization.	4.1	n/a	2	6	91	n/a	n/a	n/a
Board does a good job of holding management accountable for the overall performance of the organization.	3.9	4.0	7	12	82	5	11	84
Our CEO does a good job of implementing the Board's decisions.	4.2	4.2	2	6	91	-	7	93
The Board sometimes places unreasonable pressure on management to get the job done.	2.3	2.3	71	19	9	70	23	7
The Board has established clear, measurable objectives for the CEO's performance.	4.0	3.8	8	12	80	14	15	71
The Board annually conducts performance evaluations of the CEO, based on pre-set criteria.	3.8	3.7	13	19	68	17	13	70
All Board members are involved in the CEO's performance evaluation.	3.2	n/a	38	16	46	n/a	n/a	n/a
Management is receptive to constructive feedback provided by the Board.	3.9	4.1	5	11	85	1	7	92
I can think of an instance where the CEO has not acted in accordance with a decision of the Board.	2.0	1.7	83	8	9	88	7	5
CEO expenses are reviewed and approved by the Chair (or delegated to a Committee/Board member).	3.7	4.1	10	21	69	8	8	83
The Board reviews and approves all bonus or supplementary payments made to the CEO.	3.6	4.0	13	21	66	10	13	76

Appendix D (cont'd.) Data Tables

CEO Authority		Yes	No	Don't Know
CEO is a member of the Board, with full voting privileges.	*BM*	14	80	6
	Exec	16	83	1
In my opinion, the authority this Board has allowed the CEO is:	*BM*	Too much - 7	Right - 92	Too Little - 1
	Exec	Too much - 4	Right - 90	Too Little - 6

Attribute 9: Board Effectiveness

Board Effectiveness	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
I believe this Board is carrying out its governance responsibilities effectively.	4.2	4.0	5 *5*	7 *5*	88 *90*	8 *12*	13 *16*	79 *72*
I am confident that this Board is providing effective oversight and monitoring of the organization.	3.9	3.8	5	15	80	8	15	77
In my opinion, the current Board is providing less effective governance than I would like.	2.2	2.2	75	12	14	73	12	15
I am satisfied with what has been accomplished since I've been on this Board.	4.0	n/a	4	12	84	n/a	n/a	n/a
I sometimes feel that being a member of this Board is a waste of my time.	1.9	n/a	85	5	9	n/a	n/a	n/a
I believe this Board is effective when the organization is providing good services to the community.	4.4	3.9	1	6	93	2	23	74
I am satisfied with the performance of the organization in achieving the goals established by the Board.	3.9	n/a	5	15	80	n/a	n/a	n/a
Our Board governance practices have been improving and I believe will continue to do so.	3.9	3.9	4	18	78	4	8	83
Overall, this Board provides sound governance and financial controllership.	4.1	4.0	4	9	87	8	8	83
This Board has established measures that evaluate the effectiveness of the Board as a whole.	3.7	3.2	14 *41*	18 *27*	68 *32*	31 *61*	18 *32*	51 *8*
I believe positive improvements to Board performance would result from conducting Board evaluations.	3.6	3.5	12	30	59	11	30	59

Data Tables

Board Practices: **Board Evaluation**		Yes	No	Don't Know
The Board conducts a formal evaluation of its performance.	*BM*	56	32	12
	Exec	54	38	8
Board is evaluated on a pre-set criteria.	*BM*	46	32	22
	Exec	41	44	16
Board evaluations have resulted in changes being made to Board practices.	*BM*	35	30	36
	Exec	39	38	24
The Board conducts a formal evaluation of the performance of each of its committees.	*BM*	17	55	29
	Exec	18	67	16
The Board conducts a formal evaluation of the contribution of individual Board members.	*BM*	12	68	20
	Exec	7	72	21
The Board provides the assessment of its effectiveness to the Minister.	*BM*	17	31	52
	Exec	17	49	33

Board Decision-Making and Impact	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
I am confident our Board generally makes good decisions.	4.2	4.1	2	5	93	5	7	88
This Board's decision-making process facilitates considered and informed decisions.	4.1	4.0	5	10	85	6	17	77
The Board makes all of the key strategic decisions for the organization.	3.5	3.3	17	24	59	24	32	43
Overall, this Board is presented with the appropriate information for decision making.	4.2	4.2	1 *3*	8 *3*	91 *94*	2 *-*	5 *-*	93 *100*
Decisions sometimes have to be deferred or delayed due to lack of information.	2.9	2.6	40	29	31	60	19	22
Decision-making is difficult because some Board members do not adequately understand the issues facing this organization.	2.5	2.8	66 *71*	18 *12*	16 *17*	44 *64*	29 *12*	27 *24*
Decision-making is difficult because some Board members represent special interests.	2.3	2.8	71 *70*	17 *13*	13 *17*	52 *56*	22 *16*	27 *28*
On occasion, I have felt that the Board was pressured to make a decision too quickly.	2.6	2.4	59	18	24	69	14	16
I sometimes feel decisions are pre-made prior to the Board meeting.	2.7	n/a	54	22	24	n/a	n/a	n/a
I feel that I have less influence over Board decisions than do other Board members.	2.2	n/a	74	15	10	n/a	n/a	n/a
This Board has a difficult time reaching consensus on a decision.	2.0	2.1	89	8	3	78	21	1
Almost all Board decisions are approved unanimously.	3.9	3.9	9	8	83	9	8	84
Once a decision has been made, the Board puts any differences aside and assumes collective responsibility for that decision.	4.2	3.8	3	6	91	10	17	74
I do not hesitate to vote against motions or proposals that I disagree with.	4.0	3.6	6	10	84	9	26	65
At the end of the day, I always vote my conscience on an issue, even if it means standing alone.	4.1	n/a	4	10	86	n/a	n/a	n/a

Appendix D (cont'd.) Data Tables

Board Decision-Making and Impact	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
This Board is clear on its desired outcomes for this organization.	3.9	3.7	7 _5_	13 _9_	80 _86_	11 _8_	23 _8_	66 _84_
In reality, this Board's role is mostly perfunctory.	2.3	2.3	60	20	21	67	17	16
Debates on matters before the Board may result in changes to management's original proposal and recommendation.	3.7	3.7	9 _7_	23 _5_	68 _88_	9 -	16 _4_	75 _96_
I sometimes feel that the Board can't reverse decisions that were pre-made by management prior to the Board meeting.	2.4	n/a	69	15	16	n/a	n/a	n/a
I do not feel it is right for me to second guess the decisions made by senior management of the organization who are experienced professionals.	2.3	n/a	71	15	14	n/a	n/a	n/a
We often challenge the assumptions and rationale behind the recommendations being made by management.	3.0	3.0	37	24	40	37	29	34
In this organization, there are too many external barriers to being an effective Board.	2.5	2.8	60	20	21	50	23	27
This Board has, as necessary, made changes in the proposals and recommendations brought forward by the CEO and senior management.	3.7	3.7	9 _40_	19 _32_	72 _28_	11 _52_	12 _36_	76 _12*_
This Board is often simply ratifying decisions already made by the CEO and senior management.	2.5	2.4	65	15	20	62	25	13
We almost always agree with management's recommendations.	3.5	3.6	13	24	63	10	27	63
This Board often acts as a "rubber-stamp" for conclusions reached by management.	2.4	2.6	65 _61_	17 _18_	18 _21_	54 _68_	28 _20_	17 _12_

Current Governance Climate

Overall Mood	Mean		Board Members (BM)			Executive (Exec)		
			Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly	Disagree/ Disagree Strongly	Neutral	Agree/ Agree Strongly
	BM	Exec	%			%		
Our Board governance practices have been improving and I believe will continue to do so.	3.9	3.9	4	18	78	4	8	83
The time commitment required to be a member of this Board has increased substantially in recent years.	3.5	3.2	19	28	53	31	25	44
In my opinion, the current Board is providing less effective governance than I would like.	2.2	2.2	75	12	14	73	12	15
Given all the new requirements and heightened liabilities for Boards, our Board is working harder than ever before.	3.9	3.8	8	23	70	8	26	66
I have turned down Board positions because of the current climate and requirements for serving on a Board.	2.4	n/a	64	16	20	n/a	n/a	n/a
In this organization, there are too many external barriers to being an effective Board.	2.5	2.8	60	20	21	50	23	27

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Appendix E

The survey instrument utilized in this study is largely based on the work of our colleague, the late Dr. Isobel K. Garvie, and relies heavily on her doctoral research, *Towards a Behavioral Model of Boards of Directors of Nonprofit Organizations*, Thesis for Doctor of Philosophy, University of Manitoba, November 1992.

Previously published OAG Manitoba governance reports that were utilized in completing this report and should be referenced for further information include:

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